

**Consolidated Financial Statements**

**Daiwa House Industry Co., Ltd.**

*Year ended March 31, 2022  
with Independent Auditor's Report*

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

*Year ended March 31, 2022*

**Contents**

**Consolidated Financial Statements**

Independent Auditor's Report .....	1
Consolidated Balance Sheet .....	8
Consolidated Statement of Income .....	10
Consolidated Statement of Comprehensive Income .....	11
Consolidated Statement of Changes in Net Assets .....	12
Consolidated Statement of Cash Flows .....	16
Notes to Consolidated Financial Statements .....	18

## Independent Auditor’s Report

The Board of Directors  
Daiwa House Industry Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries (the “Group”), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Estimates of total construction costs for ordered contract transactions of which revenues are recognized based on the fulfillment of performance obligations over a certain period of time	
Description of Key Audit Matter	Auditor’s Response
As described in Note 1 (m) “Revenue recognition,” performance obligations related to ordered contract transactions in which contracts for construction work has been concluded with customers for single-family	We have mainly conducted the following audit procedures for the construction works selected by us based on quantitative and qualitative criteria that we have established in light of risks in order to assess the estimates

<p>houses, rental housing, commercial facilities, business and corporate facilities and others are satisfied over a certain period of time and revenues are recognized based on the progress of fulfillment of the performance obligations. The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs).</p> <p>As described in Note 1 (u) “Significant Accounting Judgements, Estimates and Assumptions” sales (including construction contracts in progress at the end of the year) recorded for the year ended March 31, 2022 using the method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time related to construction contracts amounted to ¥1,908,959 million (\$15,597,344 thousand) (*).</p> <p>Total construction costs are estimated using execution budgets for each construction contract, and the execution budgets are formulated by aggregating cost items such as the quantity of construction materials, labor hours, and procurement unit price. These cost items reflect specific factors such as the specifications and status of construction contracts and external factors such as economic conditions and business environment and are aggregated according to construction type such as reinforced steel construction, concrete construction, and electrical equipment construction. In particular, estimates of execution budgets for construction contracts having a long construction period and unique specifications involve uncertainties and complexities since there are wide range of cost items.</p> <p>Accordingly, we have determined the estimates of total construction costs for ordered contract transactions in progress at the end of the year and of which revenues were recognized based on the progress of fulfillment of performance obligations over a certain period of time to be a key audit matter.</p>	<p>of total construction costs for ordered contract transactions that were in progress at the end of the year and of which revenues were recognized based on the progress of fulfillment of performance obligations over a certain period of time. In addition to the quantitative and qualitative criteria, we also included in the scope of audit procedures the construction works selected using our Construction progress standard abnormality detection tool (#).</p> <p>(#) Construction progress standard abnormality detection tool</p> <p>A tool for detecting unusual trend of progress in construction and development projects that applies a method of recognizing revenue based on fulfillment of performance obligations over a certain period of time based on the prediction of progress using machine learning.</p> <p>(1) Evaluation of internal controls</p> <p>We evaluated the design and the effectiveness of the following internal controls of the Group related to the estimates of total construction costs.</p> <ul style="list-style-type: none"> <li>We evaluated the internal controls ensuring the reliability of execution budgets, which are the basis of the estimates of total construction costs, requiring that such execution budgets are formulated by persons in charge of construction work with specialized knowledge through a detailed cumulative calculation based on constructions drawings and quotations obtained from outside and others, and that the necessary approval for such execution budgets is obtained.</li> <li>We evaluated internal controls ensuring that the estimates of total construction costs are revised on a timely basis according to the conditions of construction work, actual cost incurred, or instructions for changes in specification from customers.</li> </ul>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(2) Estimates of total construction costs

We have mainly conducted the following audit procedures in order to assess the estimates of total constructions costs.

- We considered whether the execution budgets incorporating the total construction costs were formulated based on an aggregation by construction type, and made inquiries to persons in charge of construction work in order to consider whether the construction type related to the construction work was incorporated in the execution budgets.
- We considered whether the execution budgets contained any significant and unusual adjustments for the purpose of reflecting future uncertainties.
- We compared the construction costs that were already ordered to subcontractors with the acceptance on order and the documents corroborating the volume.
- We assessed whether the construction cost not yet ordered was properly estimated by comparing the execution budgets with the quotations obtained from subcontractors, or the actual construction records in the past and the profit margin of the similar construction works in progress.
- We made inquiries to the person in-charge of construction sites for the construction progress and the status of orders to subcontractors and considered whether there were any significant events requiring a revision of total construction costs.
- We inspected the documents for internal approval of the revision of the estimates of the total construction costs and assessed whether the execution budgets were revised in a timely and appropriate manner according to the progress of construction works.
- We inspected construction sites of certain construction works (including remote inspection, and others), and considered

	whether the actual progress of construction works was consistent with execution budgets and the schedule of construction works.
--	---------------------------------------------------------------------------------------------------------------------------------

Revenue recognition of real estate sales transactions to real estate funds or others, such as special purpose companies, REITs or parties with which the Group has continuing involvement	
Description of Key Audit Matter	Auditor's Response
<p>The Group is engaged in the real estate development business mainly involving business facilities and commercial facilities.</p> <p>During the year ended March 31, 2022, the Group recorded sales of ¥290,084 million (\$2,370,160 thousand) (*) arising from sales of development properties, most of which consisted of sales of real estate to real estate funds or others).</p> <p>In general, the terms and conditions of the sale of development properties are highly specific, and each transaction amount is material. In particular, the individual scheme and terms and conditions of transactions are complicated when the transferees are real estate funds or others.</p> <p>If the Group has continuing involvement, such as providing management services, granting repurchase options, sale and leaseback transactions or the partial holding of equity interest after the transfer of the real estate is completed, the judgment as to whether substantially all of the risks and rewards of ownership has been transferred may be highly complex.</p> <p>In the event that such judgment is inaccurate, material amount of revenue from real estate sales transactions to real estate funds or others in which substantially all of the risks and rewards of ownership have not been transferred may be recognized.</p> <p>Accordingly, we have determined revenue recognition for real estate sales transactions</p>	<p>We mainly conducted the following procedures for certain transactions in which there was continuing involvement and the amount of sales per transaction exceeded a quantitative threshold in order to assess revenue recognition for real estate sales transactions to real estate funds or others.</p> <ul style="list-style-type: none"> <li>• In order to understand the entire transaction scheme, including the buyer, and assess the economic rationality of the transaction, we inspected the request for approval and the minutes of the Board of Directors' meetings.</li> <li>• In order to assess whether there are any conditions that demonstrate continuing involvement (degree of risk) in relation to the transferred assets, we inspected related contracts such as sales contracts, investment contracts, and real estate management contracts.</li> <li>• In order to assess the completion of the transfer of the assets, we inspected the evidence of cash receipts and certified copies of the real estate register.</li> </ul>

to real estate funds or others to be a key audit matter.

(\* ) The translation of Japanese yen amounts into U.S. dollar amounts has been made on the basis described in Note 3 to the consolidated financial statements.”

### **Other Information**

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

### **Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group’s financial reporting process.

### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Osaka, Japan

July 22, 2022

/s/ Kaname Matsumoto

Kaname Matsumoto  
Designated Engagement Partner  
Certified Public Accountant

/s/ Yasuhiro Takata

Yasuhiro Takata  
Designated Engagement Partner  
Certified Public Accountant

/s/ Satoshi Abe

Satoshi Abe  
Designated Engagement Partner  
Certified Public Accountant

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	2022	2021	2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and bank deposits ( <i>Notes 9, 25 and 27</i> )	¥ 337,632	¥ 425,980	\$ 2,758,656
Trade notes and accounts receivable ( <i>Notes 9, 25 and 29</i> )	407,430	401,314	3,328,948
Lease receivables and investments in leases ( <i>Note 23</i> )	89,875	45,411	734,332
Mortgage notes receivable held for sale ( <i>Note 9</i> )	28,473	29,088	232,641
Securities maturing within one year ( <i>Notes 4, 5, 9 and 25</i> )	7,568	550	61,835
Inventories ( <i>Notes 6, 7 and 9</i> )	1,562,408	1,173,612	12,765,814
Other current assets ( <i>Note 9</i> )	277,601	292,088	2,268,167
Allowance for doubtful accounts ( <i>Note 25</i> )	(18,195)	(13,682)	(148,664)
Total current assets	2,692,794	2,354,364	22,001,748
<b>Property, plant and equipment (<i>Note 7</i>):</b>			
Land ( <i>Notes 6, 9 and 14</i> )	878,851	870,822	7,180,741
Buildings and structures ( <i>Notes 6, 9 and 14</i> )	1,302,750	1,164,230	10,644,251
Machinery, equipment and vehicles ( <i>Note 14</i> )	160,254	159,424	1,309,371
Tools, furniture and fixtures ( <i>Notes 6, and 14</i> )	79,847	75,280	652,398
Leased assets ( <i>Notes 14 and 23</i> )	105,714	93,235	863,747
Construction in progress ( <i>Notes 6, and 14</i> )	174,780	166,588	1,428,057
Other tangible assets ( <i>Note 14</i> )	9,733	9,641	79,524
Total	2,711,934	2,539,224	22,158,133
Accumulated depreciation	(742,868)	(680,377)	(6,069,678)
Net property, plant and equipment	1,969,066	1,858,847	16,088,454
<b>Investments and other assets:</b>			
Investment securities ( <i>Notes 4, 5, 9 and 25</i> )	228,794	231,490	1,869,384
Long-term loans receivable ( <i>Note 9</i> )	2,255	5,284	18,424
Lease deposits ( <i>Note 25</i> )	251,053	251,358	2,051,254
Deferred tax assets ( <i>Note 18</i> )	159,203	161,458	1,300,784
Goodwill ( <i>Notes 14 and 28</i> )	93,895	74,046	767,178
Other assets ( <i>Notes 5, 6, 9 and 14</i> )	126,304	118,026	1,031,979
Allowance for doubtful accounts ( <i>Note 25</i> )	(1,705)	(1,825)	(13,930)
Total investments and other assets	859,801	839,839	7,025,091
<b>Total assets</b>	¥ 5,521,662	¥ 5,053,052	\$ 45,115,303

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Payables:			
Trade notes and accounts payable	¥ 355,936	¥ 296,165	\$ 2,908,211
Other	121,051	129,089	989,059
Short-term bank loans ( <i>Notes 8 and 9</i> )	151,421	124,584	1,237,200
Current portion of long-term debt ( <i>Notes 8, 9, 23 and 25</i> ):			
Bonds	25,000	40,000	204,265
Loans from banks	79,589	46,700	650,290
Lease obligation	8,810	7,576	71,983
Income taxes payable ( <i>Note 18</i> )	69,170	57,093	565,160
Advances received ( <i>Note 29</i> )	199,824	175,978	1,632,682
Advances received on construction projects in progress ( <i>Note 29</i> )	137,977	113,186	1,127,355
Accrued bonuses	56,759	53,276	463,755
Provision for warranties for completed construction	7,680	7,230	62,750
Asset retirement obligations ( <i>Note 11</i> )	3,140	2,568	25,655
Other current liabilities ( <i>Note 9</i> )	228,229	225,407	1,864,768
Total current liabilities	<u>1,444,592</u>	<u>1,278,858</u>	<u>11,803,186</u>
<b>Long-term liabilities:</b>			
Long-term debt ( <i>Notes 8, 9, 23 and 25</i> ):			
Bonds	408,000	383,000	3,333,605
Loans from banks	758,496	677,700	6,197,369
Lease obligation	102,731	93,780	839,374
Long-term deposits received from the Group's club members	1,332	1,419	10,883
Lease deposits received ( <i>Notes 9 and 25</i> )	296,500	284,946	2,422,583
Deferred tax liabilities on land revaluation	19,117	19,634	156,197
Liabilities for employees' retirement benefits ( <i>Note 10</i> )	193,753	246,059	1,583,078
Asset retirement obligations ( <i>Note 11</i> )	55,904	53,784	456,769
Other long-term liabilities	129,848	120,363	1,060,936
Total long-term liabilities	<u>1,965,684</u>	<u>1,880,689</u>	<u>16,060,821</u>
<b>Commitments and contingencies (<i>Notes 23 and 24</i>)</b>			
<b>Net assets (<i>Notes 20, 21 and 32</i>):</b>			
Shareholders' equity			
Common stock – 1,900,000,000 authorized shares, 666,238,205 issued and 655,668,128 outstanding as of March 31, 2022 and 666,238,205 issued and 654,237,616 outstanding as of March 31, 2021	161,699	161,699	1,321,178
Capital surplus	301,982	304,595	2,467,374
Retained earnings	1,486,900	1,339,558	12,148,868
Treasury stock – at cost, 10,570,077 shares in 2022 and 12,000,589 shares in 2021	(29,081)	(33,019)	(237,609)
Total shareholders' equity	<u>1,921,500</u>	<u>1,772,834</u>	<u>15,699,812</u>
Accumulated other comprehensive income:			
Unrealized gain on securities	64,017	59,404	523,057
Deferred (loss) gain on hedging instruments	(860)	10	(7,026)
Land revaluation reserve	10,642	10,624	86,951
Foreign currency translation adjustments	24,857	(7,677)	203,096
Total accumulated other comprehensive income	<u>98,657</u>	<u>62,361</u>	<u>806,087</u>
Stock acquisition rights	–	91	–
Non-controlling interests	91,227	58,216	745,379
Total net assets	<u>2,111,385</u>	<u>1,893,504</u>	<u>17,251,286</u>
<b>Total liabilities and net assets</b>	<u>¥ 5,521,662</u>	<u>¥ 5,053,052</u>	<u>\$ 45,115,303</u>

*See accompanying notes to the consolidated financial statements.*

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
<b>Net sales (Notes 7 and 29)</b>	<b>¥ 4,439,536</b>	¥ 4,126,769	<b>\$ 36,273,682</b>
<b>Cost of sales (Notes 6, 7, 10 and 12)</b>	<b>3,574,853</b>	3,299,886	<b>29,208,701</b>
<b>Gross profit</b>	<b>864,682</b>	826,883	<b>7,064,972</b>
<b>Selling, general and administrative expenses (Notes 7, 10 and 12)</b>	<b>481,425</b>	469,761	<b>3,933,532</b>
Operating income	<b>383,256</b>	357,121	<b>3,131,432</b>
<b>Other income (expenses):</b>			
Interest income	2,901	2,638	23,702
Dividend income	4,431	4,616	36,203
Insurance claim income	2,277	2,888	18,604
Subsidies income	3,041	3,521	24,846
Interest expense	(13,033)	(10,013)	(106,487)
Taxes and dues	–	(1,537)	–
Provision of allowance for doubtful accounts	(1,635)	(4,509)	(13,358)
Equity in losses of affiliates	(6,810)	(11,553)	(55,641)
Gain on sales of fixed assets (Notes 7 and 13)	2,167	805	17,705
Gain on sales of investments in securities	1,635	449	13,358
Gain on sales of investments in capital of subsidiaries and affiliates	–	1,115	–
Gain on step acquisitions	3,907	–	31,922
Gain on change in equity interest	788	428	6,438
Subsidy income related to COVID-19 pandemic (Note 15)	379	1,871	3,096
Gain on reversal of stock acquisition rights	10	–	81
Loss on sales of fixed assets (Note 13)	(466)	(215)	(3,807)
Loss on disposal of fixed assets (Note 7)	(1,383)	(1,372)	(11,299)
Impairment loss (Notes 7 and 14)	(24,147)	(21,065)	(197,295)
Loss on sales of investments in securities	(880)	(0)	(7,190)
Loss on revaluation of investments in securities	(174)	(656)	(1,421)
Loss on sales of stocks of subsidiaries and affiliates	(763)	(418)	(6,234)
Loss on sales of investments in capital of an affiliate	(593)	–	(4,845)
Special retirement benefit expenses related to employee career support after retirement (Note 16)	(2,207)	–	(18,032)
Loss on COVID-19 pandemic (Note 17)	(1,208)	(7,561)	(9,870)
Other, net	1,809	(5,342)	14,780
<b>Profit before income taxes</b>	<b>353,300</b>	311,210	<b>2,886,673</b>
<b>Income taxes (Note 18):</b>			
Current	123,917	109,300	1,012,476
Deferred	423	573	3,456
Total income taxes	<b>124,341</b>	109,873	<b>1,015,940</b>
<b>Profit</b>	<b>¥ 228,958</b>	¥ 201,336	<b>\$ 1,870,724</b>
Profit attributable to non-controlling interests	¥ 3,686	¥ 6,260	\$ 30,116
Profit attributable to owners of the parent	<b>225,272</b>	195,076	<b>1,840,607</b>

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<b>2022</b>	2021	<b>2022</b>
<b>Profit</b>	<b>¥ 228,958</b>	¥ 201,336	<b>\$ 1,870,724</b>
<b>Other comprehensive income (Note 19):</b>			
Unrealized gain on securities	<b>4,631</b>	22,455	<b>37,838</b>
Deferred (loss) gain on hedging instruments	<b>(870)</b>	19	<b>(7,108)</b>
Land revaluation reserve	<b>15</b>	5	<b>122</b>
Foreign currency translation adjustments	<b>34,163</b>	(9,770)	<b>279,132</b>
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	<b>2,249</b>	(344)	<b>18,375</b>
<b>Total other comprehensive income</b>	<b>40,190</b>	12,365	<b>328,376</b>
<b>Comprehensive income</b>	<b>¥ 269,148</b>	¥ 213,702	<b>\$ 2,199,101</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	<b>¥ 261,565</b>	¥ 208,745	<b>\$ 2,137,143</b>
Non-controlling interests	<b>7,583</b>	4,956	<b>61,957</b>

See accompanying notes to the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2022

	<i>Thousands</i>	<i>Millions of yen</i>				
	Number of shares of common stock outstanding <i>(Note 20)</i>	Common stock	Capital surplus	Retained earnings	Treasury stock <i>(Note 20)</i>	Total shareholders' equity
Balance, April 1, 2020	664,019	¥ 161,699	¥ 307,154	¥ 1,217,407	¥ (7,588)	¥ 1,678,671
Cash dividends	-	-	-	(72,556)	-	(72,556)
Profit attributable to owners of the parent	-	-	-	195,076	-	195,076
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	(2,614)	-	-	(2,614)
Land revaluation reserve	-	-	-	(367)	-	(367)
Purchase of treasury stock	(10,003)	-	-	-	(26,054)	(26,054)
Disposal of treasury stock	221	-	56	-	624	681
Net change in items other than those in shareholders' equity	-	-	-	-	-	-
Balance, April 1, 2021	<b>654,237</b>	<b>161,699</b>	<b>304,595</b>	<b>1,339,558</b>	<b>(33,019)</b>	<b>1,772,834</b>
Cumulative impact of changes in accounting policies	-	-	-	1,311	-	1,311
Balance, April 1, 2021 (as restated)	<b>654,237</b>	<b>161,699</b>	<b>304,595</b>	<b>1,340,870</b>	<b>(33,019)</b>	<b>1,774,146</b>
Cash dividends	-	-	-	(79,239)	-	(79,239)
Profit attributable to owners of the parent	-	-	-	225,272	-	225,272
Change in equity of parent arising from transaction with non-controlling shareholders	-	-	(3,072)	-	-	(3,072)
Land revaluation reserve	-	-	-	(2)	-	(2)
Purchase of treasury stock	(3)	-	-	-	(12)	(12)
Disposal of treasury stock	1,434	-	458	-	3,950	4,408
Net change in items other than those in shareholders' equity	-	-	-	-	-	-
Balance, March 31, 2022	<b>655,668</b>	<b>¥ 161,699</b>	<b>¥ 301,982</b>	<b>¥ 1,486,900</b>	<b>¥ (29,081)</b>	<b>¥ 1,921,500</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year Ended March 31, 2022

Millions of yen

	Accumulated other comprehensive income							Total net assets
	Unrealized gain on securities	Deferred gain (loss) on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights (Note 21)	Non-controlling interests	
Balance, April 1, 2020	¥ 36,996	¥ (10)	¥ 10,251	¥ 1,087	¥ 48,323	¥ 101	¥ 46,292	¥ 1,773,388
Cash dividends	–	–	–	–	–	–	–	(72,556)
Profit attributable to owners of the parent	–	–	–	–	–	–	–	195,076
Change in equity of parent arising from transaction with non-controlling shareholders	–	–	–	–	–	–	–	(2,614)
Land revaluation reserve	–	–	–	–	–	–	–	(367)
Purchase of treasury stock	–	–	–	–	–	–	–	(26,054)
Disposal of treasury stock	–	–	–	–	–	–	–	681
Net change in items other than those in shareholders' equity	22,407	21	373	(8,764)	14,037	(9)	11,924	25,952
Balance, April 1, 2021	<b>59,404</b>	<b>10</b>	<b>10,624</b>	<b>(7,677)</b>	<b>62,361</b>	<b>91</b>	<b>58,216</b>	<b>1,893,504</b>
Cumulative impact of changes in accounting policies	–	–	–	–	–	–	–	1,311
Balance, April 1, 2021 (as restated)	<b>59,404</b>	<b>10</b>	<b>10,624</b>	<b>(7,677)</b>	<b>62,361</b>	<b>91</b>	<b>58,216</b>	<b>1,894,816</b>
Cash dividends	–	–	–	–	–	–	–	(79,239)
Profit attributable to owners of the parent	–	–	–	–	–	–	–	225,272
Change in equity of parent arising from transaction with non-controlling shareholders	–	–	–	–	–	–	–	(3,072)
Land revaluation reserve	–	–	–	–	–	–	–	(2)
Purchase of treasury stock	–	–	–	–	–	–	–	(12)
Disposal of treasury stock	–	–	–	–	–	–	–	4,408
Net change in items other than those in shareholders' equity	4,613	(870)	18	32,535	36,295	(91)	33,010	69,215
Balance, March 31, 2022	<b>¥ 64,017</b>	<b>¥ (860)</b>	<b>¥ 10,642</b>	<b>¥ 24,857</b>	<b>¥ 98,657</b>	<b>¥ –</b>	<b>¥ 91,227</b>	<b>¥ 2,111,385</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year Ended March 31, 2022

*Thousands of U.S. dollars (Note 3)*

	Common stock	Capital surplus	Retained earnings	Treasury stock (Note 20)	Total shareholders' equity
Balance, April 1, 2021	<b>\$ 1,321,178</b>	<b>\$ 2,488,724</b>	<b>\$ 10,944,995</b>	<b>\$ (269,785)</b>	<b>\$ 14,485,121</b>
Cumulative impact of changes in accounting policies	-	-	<b>10,711</b>	-	<b>10,711</b>
Balance, April 1, 2021 (as restated)	<b>1,321,178</b>	<b>2,488,724</b>	<b>10,955,715</b>	<b>(269,785)</b>	<b>14,495,841</b>
Cash dividends	-	-	<b>(647,430)</b>	-	<b>(647,430)</b>
Profit attributable to owners of the parent	-	-	<b>1,840,607</b>	-	<b>1,840,607</b>
Change in equity of parent arising from transaction with non-controlling shareholders	-	<b>(25,100)</b>	-	-	<b>(25,100)</b>
Land revaluation reserve	-	-	<b>(16)</b>	-	<b>(16)</b>
Purchase of treasury stock	-	-	-	<b>(98)</b>	<b>(98)</b>
Disposal of treasury stock	-	<b>3,742</b>	-	<b>32,273</b>	<b>36,016</b>
Net change in items other than those in shareholders' equity	-	-	-	-	-
Balance, March 31, 2022	<b>\$ 1,321,178</b>	<b>\$ 2,467,374</b>	<b>\$ 12,148,868</b>	<b>\$ (237,609)</b>	<b>\$ 15,699,812</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year Ended March 31, 2022

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income				Total accumulated other comprehensive income	Stock acquisition rights (Note 21)	Non- controlling interests	Total net assets
	Unrealized gain on securities	Deferred gain (loss) on hedging instruments	Land revaluation reserve	Foreign currency translation adjustments				
Balance, April 1, 2021	\$ 485,366	\$ 81	\$ 86,804	\$ (62,725)	\$ 509,526	\$ 743	\$ 475,659	\$ 15,471,067
Cumulative impact of changes in accounting policies	–	–	–	–	–	–	–	10,711
Balance, April 1, 2021 (as restated)	485,366	81	86,804	(62,725)	509,526	743	475,659	15,481,787
Cash dividends	–	–	–	–	–	–	–	(647,430)
Profit attributable to owners of the parent	–	–	–	–	–	–	–	1,840,607
Change in equity of parent arising from transaction with non- controlling shareholders	–	–	–	–	–	–	–	(25,100)
Land revaluation reserve	–	–	–	–	–	–	–	(16)
Purchase of treasury stock	–	–	–	–	–	–	–	(98)
Disposal of treasury stock	–	–	–	–	–	–	–	36,016
Net change in items other than those in shareholders' equity	37,690	(7,108)	147	265,830	296,552	(743)	269,711	565,528
Balance, March 31, 2022	\$ 523,057	\$ (7,026)	\$ 86,951	\$ 203,096	\$ 806,087	\$ –	\$ 745,379	\$ 17,251,286

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year Ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
<b>Operating activities:</b>			
Profit before income taxes	¥ 353,300	¥ 311,210	\$ 2,886,673
Adjustments for:			
Depreciation	100,328	78,403	819,740
Decrease in liability for employees' retirement benefits	(52,308)	(21,052)	(427,387)
Interest and dividend income	(7,332)	(7,254)	(59,906)
Interest expense	13,033	10,013	106,487
Equity in losses of affiliates	6,810	11,553	55,641
Net (gain) loss on sales and disposal of property, plant and equipment	(316)	782	(2,581)
Impairment loss	24,147	21,065	197,295
Loss on revaluation of investments in securities	174	656	1,421
Decrease in trade receivables	13,988	33,762	114,290
Increase in inventories	(228,299)	(419)	(1,865,340)
(Decrease) increase in advances received	(3,609)	98,846	(29,487)
Increase (decrease) in advances received on construction projects in progress	22,999	(17,929)	187,915
Increase (decrease) in trade payables	59,472	(72,335)	485,922
Other	148,572	93,601	1,213,922
Subtotal	<u>450,962</u>	<u>540,904</u>	<u>3,684,631</u>
Interest and dividends received	9,496	8,964	77,588
Interest paid	(11,884)	(8,388)	(97,099)
Income taxes paid	(112,138)	(111,165)	(916,234)
Net cash provided by operating activities	<u>336,436</u>	<u>430,314</u>	<u>2,748,884</u>
<b>Investing activities:</b>			
Purchases of property, plant and equipment	(410,981)	(334,698)	(3,357,962)
Proceeds from sales of property, plant and equipment	14,673	6,454	119,887
Purchases of investment securities	(13,064)	(5,759)	(106,740)
Proceeds from sales and redemption of investment securities	8,010	10,442	65,446
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 27)	(53,118)	(25,363)	(434,006)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(98)	(285)	(800)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	1,231	-
Payments for acquisition of business	(12,213)	(22,991)	(99,787)
Net proceeds from collection of leasehold and guarantee deposits	3,228	-	26,374
Net payments of leasehold and guarantee deposits	-	(6,971)	-
Other	(3,860)	(12,037)	(31,538)
Net cash used in investing activities	<u>¥(467,423)</u>	<u>¥ (389,980)</u>	<u>\$ (3,819,127)</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year Ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 3)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
<b>Financing activities:</b>			
Net increase in short-term bank loans	¥ 19,012	¥ 20,625	\$ 155,339
Net decrease in commercial paper	–	(49,000)	–
Proceeds from long-term debt – Loans from banks	181,281	260,299	1,481,174
Repayments of long-term debt – Loans from banks	(115,838)	(98,555)	(946,466)
Proceeds from issuance of bonds	50,000	146,000	408,530
Redemption of bonds	(40,000)	(65,000)	(326,824)
Repayments of finance lease obligations	(9,763)	(9,850)	(79,769)
Proceeds from share issuance to non-controlling shareholders	26,508	4,899	216,586
Purchase of treasury stock	(12)	(26,054)	(98)
Proceeds from disposal of treasury stock	4,328	671	35,362
Dividends paid	(79,239)	(72,556)	(647,430)
Dividends paid to non-controlling shareholders	(5,381)	(3,221)	(43,966)
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	(7,876)	(6,577)	(64,351)
Other	1,407	1,051	11,496
Net cash provided by financing activities	<u>24,427</u>	<u>102,731</u>	<u>199,583</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>16,283</u>	<u>(2,811)</u>	<u>133,041</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(90,276)</b>	<b>140,253</b>	<b>(737,609)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>416,321</b>	<b>276,068</b>	<b>3,401,593</b>
<b>Increase in cash and cash equivalents from a newly consolidated subsidiary</b>	<u>205</u>	<u>–</u>	<u>1,674</u>
<b>Cash and cash equivalents at the end of the year (Note 27)</b>	<u>¥ 326,250</u>	<u>¥ 416,321</u>	<u>\$ 2,665,658</u>

See accompanying notes to the consolidated financial statements.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2022

### 1. Summary of Significant Accounting Policies

#### a. Basis of preparation

The accompanying consolidated financial statements of Daiwa House Industry Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

#### b. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

The consolidated financial statements as of March 31, 2022 include the accounts of the Company and its 421 (381 in 2021) significant subsidiaries. Osaka Castle Park Management Co., Ltd. was not consolidated, though the Company owns a majority of its voting rights, because the joint arrangement specifies that unanimous consent of the parties is required to determine the significant financial and business policies.

During the year ended March 31, 2022, 57 subsidiaries were included in the consolidation as a result of new formation or acquisition and 17 subsidiaries were excluded from the consolidation as a result of liquidation or merger.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### b. Principles of consolidation (continued)

CastleRock Communities, LLC, and Jiuxin (Suzhou) Real Estate Development Co., Ltd., were included in the scope of consolidation during the year ended March 31, 2022 due to acquisition of equity interests and establishment of a company, respectively.

Daiwa Royal Co., Ltd. was excluded from the scope of consolidation as a result of management integration (merger) with Daiwa Information Services Co., Ltd., which is the surviving entity. Daiwa Information Services Co., Ltd. has changed its trade name to Daiwa House Realty Mgt. Co, Ltd. Daiwa Living Management Co., Ltd. was excluded from the scope of consolidation as a result of management integration (merger) with Daiwa Living Co., Ltd., which is the surviving entity.

Investments in affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method.

Investments in 57 (61 in 2021) affiliates (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method. During the year ended March 31, 2022, 4 affiliates were included in and 8 affiliates were excluded from affiliates that are accounted for by the equity method.

Investments in an affiliate, Kofu Public Service Co., Ltd. was excluded from the scope of equity-method affiliates because the impact on consolidated financial statements is deemed immaterial.

For consolidation purposes, the financial statements of all significant subsidiaries whose balance sheet dates are prior to December 31, were prepared based on a provisional financial statements as of December 31, January 31 or February 28. The financial statements of all significant subsidiaries whose balance sheet dates are on or after December 31, were prepared based on the accounts of their own balance sheet date. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from their balance sheet dates through March 31 have been adjusted, if necessary.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### c. Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income. All assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the current exchange rate during the year. Differences arising from the translations are included in “Foreign currency translation adjustments” and “Non-controlling interests” in the accompanying consolidated balance sheet.

#### d. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

#### e. Investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Securities classified as other securities other than securities without quoted market price are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Securities without quoted market price classified as other securities are carried at cost determined by the moving average method. For other than temporary declines in fair value, investment securities are reduced to net realize value by a charge to income.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### f. Inventories

Real estate for sale, construction projects in progress, real estate for sale in process, work in progress and land (for sales, under development and undeveloped) are stated at the lower of cost or net selling value, cost being determined by the individual cost method. Construction materials and supplies are stated at the lower of cost or net selling value, cost being determined by the average method. Merchandise and products are stated at the lower of cost or net selling value, cost generally being determined by the retail method.

#### g. Property, plant and equipment

Depreciation of property, plant and equipment is calculated principally by the declining-balance method based on the estimated useful lives and the residual value determined by the Group, except for certain buildings of the Company and domestic consolidated subsidiaries acquired on or after April 1, 1998 and facilities attached to buildings and other non-building structures acquired on or after April 1, 2016, which are depreciated by the straight-line method.

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease term to a nil residual value by the straight-line method.

As allowed under accounting standard for lease, the Group continues to account for leases on or before March 31, 2008 that do not transfer ownership of the leased property to the lessee as operating lease transactions.

#### h. Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

#### i. Goodwill

Goodwill is amortized by the straight-line method over the estimated useful life not exceeding 20 years. However, immaterial amounts of goodwill are charged to profit or loss in the year of acquisition.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### j. Land revaluation

As of March 31, 2002, the Company and certain domestic subsidiaries revalued its land at fair value, pursuant to Article 2 of the “Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land” and its amendments. The related unrealized gain, net of applicable income taxes, has been recorded as “Land revaluation reserve” in net assets.

As of March 31, 2022 and 2021, the carrying amount of the land after the above revaluation exceeded the market value by ¥2,468 million (\$20,165 thousand) and ¥1,172 million, respectively.

#### k. Impairment loss

The Group reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

#### l. Retirement benefits

Accrued retirement benefits have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The retirement benefit obligation for employees is attributed to each period by the benefit formula method. Actuarial gains and losses and past service costs are recognized in profit or loss in the period in which the gains and losses are incurred.

#### m. Revenue recognition

##### (a) Revenue from contracts with customers

The main performance obligations in key businesses of the Group concerning revenue from contracts with customers and the typical timing for satisfying such performance obligations (that is, when revenue is recognized) are summarized as follows:

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### m. Revenue recognition (continued)

##### (a) Revenue from contracts with customers (continued)

###### (1) Ordered contract transactions

With respect to ordered contract transactions, the Group concludes construction contracts with customers and has an obligation to perform construction works based on the construction contracts. The Group determines that the performance obligations are satisfied over a certain period of time and recognizes revenues based on the progress of fulfillment of performance obligations.

The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs).

With respect to construction contracts for which the progress cannot be reasonably estimated but the costs incurred in fulfilling the performance obligation are expected to be recovered, revenue is recognized based on a cost recovery method until such time when the progress of fulfillment of performance obligation can be reasonably estimated.

###### (2) Real estate sales transactions

With respect to real estate transactions, the Group has an obligation to transfer properties developed or purchased by the Group (such as single-family houses, rental housing, condominiums, commercial facilities, and business and corporate facilities) based on real estate sales contracts with customers. Revenues are recognized at the time of transfer of properties to the customers.

##### (b) Revenue from finance lease transactions

Revenue from finance lease and related costs are recognized upon receipt of lease payments.

#### n. Income taxes

Income taxes are calculated based on taxable income and are determined in accordance with the applicable tax laws and charged to income on an accrual basis. Deferred tax assets and liabilities have been recognized in the consolidated financial statements with respect to the differences between the financial reporting and tax bases of the assets and liabilities, and were measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### o. Consumption taxes

Consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan are principally charged to income when incurred.

#### p. Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

#### q. Derivative financial instruments

The Group enters into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Foreign currency forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks.

##### i) Hedge accounting method

Derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to profit or loss, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets.

When foreign currency forward contracts and currency swap meet certain criteria, receivables and payables covered by the contracts are translated at the contracted rates (“allocation method”).

Interest-rate swaps that meet special matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income (“special treatment”).

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### q. Derivative financial instruments (continued)

##### ii) Hedging instruments and hedged items

Hedging instruments :	Interest rate swap contracts
	Interest rate and currency swap contracts
	Foreign currency forward contracts and others
Hedged items :	Long-term debt
	Long-term debt denominated in foreign currencies
	Accounts receivable denominated in foreign currencies and others

##### iii) Hedging policy

Derivative transactions are used to mitigate the risk of adverse fluctuations in interest rates, foreign currency exchange and improve financial cash flows.

##### iv) Assessing hedge effectiveness

The Group evaluates hedge effectiveness by comparing changes in market fluctuations or in cumulative cash flows of the hedged items with the corresponding changes in the hedging derivative instruments and using the ratio of the fluctuations. However, the evaluation of hedge effectiveness is omitted for interest rate swaps for which special treatment is applied when the substantial terms and conditions of the hedging instruments and the hedged forecasted transactions are the same.

Hedge transactions under “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR”

On March 17, 2022, ASBJ issued “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (“PITF No.40”). PITF No.40 allows an entity to assume that the basic interest rate applicable to the interest rate swaps that meets special matching criteria does not change after the discontinuation of LIBOR. The Group applied the exceptional treatment described in PITF No.40 to all hedge transactions that reference LIBOR and details of those hedge transactions as follows.

① Hedge accounting method	Special treatment for interest rate swaps
② Hedging instruments	Interest rate swap contracts
③ Hedged items	Long-term debt denominated in foreign currencies
④ Types of hedge transaction	Fixing cash flows

## Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **1. Summary of Significant Accounting Policies (continued)**

##### **r. Allowance for doubtful accounts**

The allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

##### **s. Accrued bonuses**

Accrued employees' bonuses are provided at the estimated amount of bonuses to be paid to the employees in the following year.

##### **t. Provision for warranties for completed construction**

Provision for warranties for completed construction due to defect liability is provided for anticipated future costs based on past experience arising from warranties for completed construction.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

u. Significant Accounting Judgments, Estimates and Assumptions

(a) Revenues recognized based on the fulfillment of performance obligations over a certain period of time for construction contracts

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2022 and 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Sales recorded by the method of recognizing revenue based on the fulfillment of performance obligations over a certain period of time	<b>¥ 1,908,959</b>	¥ 1,850,703	<b>\$ 15,597,344</b>

Notes: 1) For the year ended March 31, 2021, the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007), and others are applied.

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The Group calculates revenues from construction contracts by the method of recognizing revenue over a certain period of time as performance obligations are fulfilled. The progress of fulfillment of performance obligations is estimated using the input method based on cost (percentage of cost incurred to total construction costs).

② Significant assumptions

Significant assumptions used to measure the total construction costs include the quantity of construction materials, labor hours, procurement unit price and others based on construction plans. These items are estimated based on specific factors such as the specifications and status of construction works and external factors such as economic conditions and business environment.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### u. Significant Accounting Judgments, Estimates and Assumptions (continued)

(a) Revenues recognized based on the fulfillment of performance obligation over a certain period of time for construction contracts (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements (continued)

③ Impact on the consolidated financial statements for the year ending March 31, 2023

The amount of revenue recognized in the consolidated financial statements for the year ending March 31, 2023 may be impacted by changes in the progress of the fulfillment of performance obligations if it becomes necessary to revise the total construction costs due to uncertain factors in the future such as delays in construction works and changes in material costs and construction costs during the construction works.

(b) Valuation of real estate for sale including real estate for sales in process and undeveloped land

(1) Amounts presented in the consolidated financial statements for the years ended March 31, 2022 and 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Real estate for sale in inventories	<b>¥ 1,479,169</b>	¥ 1,093,759	<b>\$ 12,085,701</b>
Loss on devaluation recognized in cost of sales	<b>8,027</b>	1,626	<b>65,585</b>

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### u. Significant Accounting Judgments, Estimates and Assumptions (continued)

(b) Valuation of real estate for sale including real estate for sales in process and undeveloped land (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The amount of real estate for sales are stated at the lower of cost or net selling value in accordance with “Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9)”. The net selling value is measured based on the selling price used in the business plan at the time of the acquisition of land, commencement of constructions, the commencement of sales and others. The net selling value is revised based on the progress of the business plan and the status of sales activities. The net selling value for certain real estate for sale is measured considering appraisals conducted by real estate appraisers.

② Significant assumptions

Significant assumptions used to measure the net selling value are selling price and construction cost. Those are measured based on the latest business plan with sales records in the past, market trends, the balance between supply and demand in the neighborhood and fluctuation of construction costs such as raw material including steels and labor cost and others being considered. In order to make a business plan for investment and rental property intended for sales in the future, leasing prices and status of leasing activities in the neighborhood are also considered. The expected impact of the spread of COVID-19 pandemic in the market is also reflected in the assumptions of selling price, selling costs and others by sales region.

③ Impact on the consolidated financial statements for the year ending March 31, 2023

An incremental loss on devaluation may be recorded in case that net selling value is lower than the carrying amounts due to changes in the market environment, progress of the business plan and the status of sales activities.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

u. Significant Accounting Judgments, Estimates and Assumptions (continued)

(c) Valuation of fixed assets

- (1) Amounts presented in the consolidated financial statements for the years ended March 31, 2022 and 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Property, plant and equipment, goodwill and intangible assets recognized in other assets	<b>¥ 2,139,984</b>	¥ 1,994,473	<b>\$ 17,484,957</b>
Impairment loss	<b>24,147</b>	21,065	<b>197,295</b>

- (2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

The Group reviews fixed assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable value, which is the higher of the net selling value or value in use. Value in use is calculated at the discounted future cash flows. The net selling value is mainly measured considering appraisals conducted by real estate appraisers.

② Significant assumptions

Significant assumptions used to measure the future cash flows are business revenue and expenditures. Standard leasing prices in the market are affected by the location, size, similar transactions in the neighborhood, forecasts for the market and transaction records in the past and corresponding expense, occupancy ratio, discount rates and others are considered determining the accounting estimate. With regard to the expected impact of the spread of the COVID-19 pandemic on properties, the Group expects that the situation will gradually recover and normalize within three years at the latest.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### u. Significant Accounting Judgments, Estimates and Assumptions (continued)

##### (c) Valuation of fixed assets (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements (continued)

③ Impact on the consolidated financial statements for the year ending March 31, 2023

An incremental impairment loss may be recorded if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows of the asset or asset group due to changes in the business environment and others.

##### (d) Measurement of expense related to retirement benefit obligation

(1) Amounts recorded for the years ended March 31, 2022 and 2021

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Retirement benefit obligation	<b>¥ 679,608</b>	¥ 665,041	<b>\$ 5,552,806</b>

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements

① Method of measurement

Certain companies within the Group have defined benefit plans. The retirement benefit obligation and corresponding service cost under defined benefit plans are measured by estimating expected amount of the retirement benefit payment by using the actuarial assumptions and discounting it over the prospective period until the payment.

② Significant assumptions

Significant assumptions used to measure the retirement benefit obligation and corresponding service cost under defined benefit plans are the actuarial assumptions such as discount rates, expected increase rates of salary and expected turnover rates.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

u. Significant Accounting Judgments, Estimates and Assumptions (continued)

(d) Measurement of expense related to retirement benefit obligation (continued)

(2) Information on accounting estimates and assumptions that may have a significant impact on the consolidated financial statements (continued)

③ Impact on the consolidated financial statements for the year ending March 31, 2023

The amount of liabilities for employees' retirement benefits and retirement benefit expense in the consolidated financial statements may be significantly impacted if any revision of the accounting estimate is required due to changes in uncertain economic conditions and others.

Actuarial gains and losses and past service costs are included in profit or loss in the period in which the gains and losses are recognized.

A sensitivity analysis related to changes in discount rates is provided in the table below, while other actuarial assumptions other than the discount rates remain constant. In the table, the negative amount represents a decrease in the retirement benefit obligation and the positive amount represents an increase in the retirement benefit obligation.

	Change in actuarial assumptions	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
		<b>2022</b>	2021	<b>2022</b>
Discount rate	Increase by 0.5%	<b>¥(57,791)</b>	¥(57,688)	<b>\$ (472,187)</b>
	Decrease by 0.5%	<b>66,522</b>	66,545	<b>543,524</b>

The significant actuarial assumptions used to measure the retirement benefit obligation are presented in Note 10 "Retirement Benefit Plans".

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### v. Accounting standards issued but not yet effective

*Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021)*

##### (1) Overview

The guidance specifies the treatment of fair value measurement applicable to investment trusts and corresponding notes, and the treatment of notes on the fair value of investments in partnerships, etc., for which the amounts equivalent to equity interest are reported at the net amounts on the consolidated balance sheet.

##### (2) Scheduled date of adoption

The Group expects to adopt the implementation guidance from the beginning of the year ending March 31, 2023.

##### (3) Impact of adoption of revised accounting standard and related implementation Guidance

The impact of the adoption of this implementation guidance on its consolidated financial statements is immaterial.

### 2. Accounting Change

#### Change in accounting policies

##### *Application of the Accounting Standard for Revenue Recognition*

“Accounting Standard for Revenue Recognition” ((ASBJ Statement No. 29, March 31, 2020), hereinafter “Revenue Recognition Standard”) has been adopted from the beginning of the year ended March 31, 2022, and revenue is recognized in the amount expected to be received in exchange for applicable goods or services when control of the promised good or service is transferred to the customer.

The Revenue Recognition Standard has been applied effective from the beginning of the year ended March 31, 2022, in accordance with the transitional treatment prescribed in Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative impact of retroactively applying new accounting policies have been reflected in the beginning balance of retained earnings for the year ended March 31, 2022.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Accounting Change (continued)

#### Change in accounting policies (continued)

##### *Application of the Accounting Standard for Revenue Recognition (continued)*

However, as provided for in Paragraph 86 of the Revenue Recognition Standard, the new accounting policies have not been retroactively adopted for contracts in which substantially all revenue amounts have been recognized prior to the beginning of the year ended March 31, 2022 in accordance with the previous treatment.

In addition, as provided for in Paragraph 86 (1) of the Revenue Recognition Standard, contract changes made prior to the beginning of the year ended March 31, 2022 have been accounted for based on the contract terms after reflecting all contract changes, and the cumulative impact have been reflected in retained earnings at the beginning of the year ended March 31, 2022.

The impact of these changes on its consolidated financial statements in the year ended March 31, 2022 is immaterial.

In accordance with the transitional treatment provided for in Paragraph 89-3 of the Revenue Recognition Standard, notes related to revenue recognition for the year ended March 31, 2021 are omitted.

##### *Application of the Accounting Standard for Fair Value Measurement*

“Accounting Standard for Fair Value Measurement” ((ASBJ Statement No. 30, July 4, 2019), hereinafter “Fair Value Measurement Standard”) has been adopted from the beginning of the year ended March 31, 2022, and new accounting policies prescribed by the Fair Value Measurement Standard will be adopted prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). As a result, the method of measurement of fair value at year-end for stocks with market price categorized as other securities is changed from the one based on the average market price during the last month of the fiscal year to the one based on the market price at year-end. Securities other than corporate bonds and other debt securities classified as financial instruments for which it was previously considered extremely difficult to determine fair values, had been valued based on historical cost on the consolidated balance sheet. When observable inputs are not available, their fair values are measured using unobservable inputs based on best available information.

In addition, notes regarding the breakdown of fair value of financial instruments by level are included in Note 25, “Financial Instruments and Related Disclosures”. However, notes for the year ended March 31, 2021 have not been included in accordance with the transitional treatment prescribed in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 3. U.S. Dollar Amounts

Translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥122.39 = U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2022. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the above or any other rate.

### 4. Marketable and Investment Securities

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities

*Held-to-maturity debt securities*

	<i>Millions of yen</i>		
	<b>2022</b>		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:			
Government and corporate bonds	¥ 2,304	¥ 2,324	¥ 20
Securities whose fair value does not exceed their carrying value:			
Government and corporate bonds	0	0	-
<b>Total</b>	<b>¥ 2,304</b>	<b>¥ 2,324</b>	<b>¥ 20</b>
	<i>Millions of yen</i>		
	<b>2021</b>		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:			
Government and corporate bonds	¥ 2,844	¥ 2,885	¥ 41
Securities whose fair value does not exceed their carrying value:			
Government and corporate bonds	0	0	-
<b>Total</b>	<b>¥ 2,844</b>	<b>¥ 2,886</b>	<b>¥ 41</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Marketable and Investment Securities (continued)

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities (continued)

	<i>Thousands of U.S. dollars</i>		
	<b>2022</b>		
	<u>Carrying value</u>	<u>Fair value</u>	<u>Difference</u>
Securities whose fair value exceeds their carrying value:			
Government and corporate bonds	<b>\$ 18,825</b>	<b>\$ 18,988</b>	<b>\$ 163</b>
Securities whose fair value does not exceed their carrying value:			
Government and corporate bonds	<b>0</b>	<b>0</b>	<b>–</b>
<b>Total</b>	<b>\$ 18,825</b>	<b>\$ 18,988</b>	<b>\$ 163</b>

*Other Securities*

	<i>Millions of yen</i>		
	<b>2022</b>		
	<u>Carrying value</u>	<u>Acquisition cost</u>	<u>Difference</u>
Securities whose carrying value exceeds their acquisition cost:			
Stock	<b>¥ 147,588</b>	<b>¥ 58,606</b>	<b>¥ 88,981</b>
Other			
Preferred fund certificates	<b>20,591</b>	<b>14,175</b>	<b>6,416</b>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	<b>3,874</b>	<b>4,872</b>	<b>(997)</b>
Corporate bonds	<b>14,718</b>	<b>14,718</b>	<b>–</b>
Other			
Preferred fund certificates	<b>772</b>	<b>1,143</b>	<b>(370)</b>
<b>Total</b>	<b>¥ 187,544</b>	<b>¥ 93,515</b>	<b>¥ 94,028</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Marketable and Investment Securities (continued)**

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities (continued)

Notes: 1) Unlisted stocks in the amount of ¥12,167 million (\$99,411 thousand) and investments in limited liability partnership and others in the amount of ¥14,674 million (\$119,895 thousand) are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020) and Paragraph 27 of the “Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, July 4, 2019), respectively, therefore these items are not included “Other Securities” in the table above.

Notes: 2) Preferred fund certificates are included in “Other Securities” in the table above.

	<i>Millions of yen</i>		
	2021		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 145,038	¥ 56,003	¥ 89,034
Other	39	32	6
Securities whose carrying value does not exceed their acquisition cost:			
Stock	2,855	3,810	(955)
Corporate bonds	11,568	11,568	-
Total	<u>¥ 159,500</u>	<u>¥ 71,415</u>	<u>¥ 88,084</u>

Note: Unlisted stock of ¥13,561 million, preferred fund certificates of ¥14,717 million and investments in limited liability partnership of ¥15,291 million are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair value as of March 31, 2021.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Marketable and Investment Securities (continued)

- (1) Information regarding securities classified as held-to-maturity debt securities and other securities (continued)

	<i>Thousands of U.S. dollars</i>		
	<b>2022</b>		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 1,205,882	\$ 478,846	\$ 727,028
Other			
Preferred fund certificates	168,240	115,818	52,422
Securities whose carrying value does not exceed their acquisition cost:			
Stock	31,652	39,807	(8,146)
Corporate bonds	120,254	120,254	-
Other			
Preferred fund certificates	6,307	9,338	(3,023)
Total	<u>\$ 1,532,347</u>	<u>\$ 764,073</u>	<u>\$ 768,265</u>

- (2) Sales of securities classified as other securities and the aggregate gain and loss for the years ended March 31, 2022 and 2021

	<i>Millions of yen</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
March 31, 2022			
Stock	¥ 3,313	¥ 1,538	¥ 880
Other	29	3	-
Total	<u>¥ 3,343</u>	<u>¥ 1,542</u>	<u>¥ 880</u>

	<i>Millions of yen</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
March 31, 2021			
Stock	¥ 1,447	¥ 449	¥ 0

	<i>Thousands of U.S. dollars</i>		
	Sales proceeds	Aggregate gain	Aggregate loss
March 31, 2022			
Stock	\$ 27,069	\$ 12,566	\$ 7,190
Other	236	24	-
Total	<u>\$ 27,314</u>	<u>\$ 12,599</u>	<u>\$ 7,190</u>

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 4. Marketable and Investment Securities (continued)

#### (3) Impairment of investment securities

The impairment losses on investment securities for the years ended March 31, 2022 and 2021 were ¥174 million (\$1,421 thousand) and ¥656 million, stated as loss on revaluation of investments in securities in other income (expenses), respectively.

#### (4) Change in purpose of holding securities

Investments in special purpose companies in the amount of ¥4,893 million (\$39,978 thousand), that were recorded in “Investment securities” in investments and other assets as of March 31, 2021 are reclassified to “Securities maturing within one year” in current assets.

### 5. Investments in Affiliates

Investments in affiliates at March 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Current portion of bonds of an affiliate	<b>¥ 2,000</b>	¥ –	<b>\$ 16,341</b>
Shares of affiliate accounted for by the equity method	<b>16,144</b>	22,865	<b>131,906</b>
(Investment in jointly controlled entities included above)	<b>(672)</b>	(840)	<b>(5,490)</b>
Investments in preferred fund certificate of affiliates	<b>3,504</b>	3,235	<b>28,629</b>
Shares of affiliates which are not accounted for by the equity method	<b>23</b>	23	<b>187</b>
Bonds of an affiliate	<b>9,000</b>	11,000	<b>73,535</b>
Investments in capital of affiliates in other	<b>18,383</b>	25,253	<b>150,200</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**6. Inventories**

Inventories at March 31, 2022 and 2021 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2022</b>	2021	<i>U.S. dollars</i>
Real estate for sale	<b>¥ 192,511</b>	¥ 172,150	<b>\$ 1,572,930</b>
Construction projects in progress	<b>48,516</b>	46,866	<b>396,404</b>
Real estate for sale in process	<b>270,888</b>	135,663	<b>2,213,318</b>
Land held:			
For sale	<b>875,499</b>	680,527	<b>7,153,354</b>
Under development	<b>146,054</b>	110,069	<b>1,193,349</b>
Undeveloped	<b>3,288</b>	3,421	<b>26,864</b>
Merchandise, construction materials and others	<b>25,650</b>	24,913	<b>209,575</b>
<b>Total</b>	<b>¥ 1,562,408</b>	<b>¥ 1,173,612</b>	<b>\$ 12,765,814</b>

The Group manufactures and constructs prefabricated houses and structures and also engages in various contracted construction projects, primarily for the construction of large-scale commercial and residential buildings. To further its business, the Group purchases land for development and sale.

Loss on devaluation of inventories included in cost of sales for the years ended March 31, 2022 and 2021 was ¥ 8,027 million (\$ 65,585 thousand) and ¥1,626 million, respectively.

Land, buildings and others held as investment and rental properties in the amount of ¥ 61,766 million (\$ 504,665 thousand) and ¥ 60,577 million, in property, plant and equipment in the consolidated balance sheets as of March 31, 2021 and 2020, respectively, have been reclassified to “Inventories” in current assets due to the change in holding purpose during the years ended March 31, 2022 and 2021.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**7. Investment and Rental Property**

The Group owns rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥ 19,861 million (\$162,276 thousand), ¥ 918 million (\$7,500 thousand) and ¥ 6,470 million (\$52,863 thousand), respectively, for the year ended March 31, 2022. The net of rental income and operating expenses, gain on sales and disposal, and impairment loss for those rental properties were ¥24,336 million, ¥360 million and ¥4,573 million, respectively, for the year ended March 31, 2021.

The rental income for those rental properties was included in net sales. The operating expenses for those rental properties was included in cost of sales or selling, general and administrative expenses. The gain on sales and disposal and impairment loss for those rental properties were included in other income (expenses).

In addition, the carrying value, changes in such amounts and fair value of such properties are as follows:

<i>Millions of yen</i>			
	Carrying value		Fair value
April 1, 2021	Increase/decrease	March 31, 2022	March 31, 2022
<b>¥ 1,245,422</b>	<b>¥ 40,136</b>	<b>¥ 1,285,559</b>	<b>¥ 1,469,676</b>

<i>Millions of yen</i>			
	Carrying value		Fair value
April 1, 2020	Increase/decrease	March 31, 2021	March 31, 2021
¥ 1,126,152	¥ 119,269	¥ 1,245,422	¥ 1,354,730

<i>Thousands of U.S. dollars</i>			
	Carrying value		Fair value
April 1, 2021	Increase/decrease	March 31, 2022	March 31, 2022
<b>\$ 10,175,847</b>	<b>\$ 327,935</b>	<b>\$ 10,503,791</b>	<b>\$ 12,008,137</b>

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 7. Investment and Rental Property (continued)

- Notes: 1) Carrying value recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses included in property, plant and equipment.
- 2) Increase during the year ended March 31, 2022 primarily represents the acquisition of certain properties of ¥284,196 million (\$2,322,052 thousand) and decrease primarily represents depreciation of ¥32,591 million (\$266,288 thousand) and the transfer to inventories of ¥ 205,570 million (\$1,679,630 thousand).
- 3) Increase during the year ended March 31, 2021 primarily represents the acquisition of certain properties of ¥278,317 million and decrease primarily represents depreciation of ¥30,559 million and the transfer to inventories of ¥140,503 million.
- 4) The fair value of properties was primarily measured by the Group in accordance with its Real Estate Appraisal Standard including adjustments based on certain indexes.

### 8. Short-Term Bank Loans and Long-Term Debt

The annual weighted-average interest rates applicable to short-term bank loans as of March 31, 2022 and 2021 were 0.88% and 0.78%, respectively. The annual weighted-average interest rates applicable to current portion of long-term loans from banks as of March 31, 2022 and 2021 were 1.28% and 1.42%, respectively.

Long-term debt and loans from banks as of March 31, 2022 and 2021 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2022</b>	2021	<i>U.S. dollars</i>
Bonds, 0.00% to 0.80% (0.00% to 0.80% in 2021), due on various dates through 2059:			<b>2022</b>
Unsecured	¥ <b>283,000</b>	¥ 273,000	\$ <b>2,312,280</b>
Subordinated	<b>150,000</b>	150,000	<b>1,225,590</b>
Loans from banks, 0.00% to 10.75 % (0.00% to 10.75% in 2021), due on various dates through 2057:			
Collateralized	<b>96,907</b>	60,900	<b>791,788</b>
Unsecured	<b>741,179</b>	663,500	<b>6,055,878</b>
Obligations under finance leases, due on various date through 2056	<b>111,542</b>	101,357	<b>911,365</b>
Total	<b>1,382,628</b>	1,248,759	<b>11,296,903</b>
Less current portion	<b>113,400</b>	94,277	<b>926,546</b>
Long-term debt – net of current portion	<b>¥ 1,269,227</b>	¥ 1,154,481	<b>\$ 10,370,348</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Short-Term Bank Loans and Long-Term Debt (continued)**

The aggregate annual maturities of long-term debt subsequent to March 31, 2022 were as follows:

Years Ending March 31	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2023	¥ 113,400	\$ 926,546
2024	229,026	1,871,280
2025	126,152	1,030,737
2026	176,851	1,444,979
2027	120,125	981,493
2028 and thereafter	617,071	5,041,841
Total	¥ 1,382,628	\$ 11,296,903

**9. Mortgaged and Pledged Assets**

The assets pledged as collateral for short-term bank loans of ¥26,310 million (\$214,968 thousand) and ¥23,603 million, current portion of long-term bank loans of ¥18,203 million (\$148,729 thousand) and ¥13,442 million, other current liabilities of ¥1 million (\$8 thousand) and ¥1 million, long-term bank loans of ¥78,703 million (\$643,050 thousand) and ¥47,458 million and lease deposits received of ¥10 million (\$81 thousand) and ¥11 million as of March 31, 2022 and 2021, respectively, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Cash and bank deposits	¥ 1,711	¥ 1,773	\$ 13,979
Trade notes and accounts receivable	8,173	10,047	66,778
Mortgage notes receivable held for sale	28,413	22,700	232,151
Inventories:			
Real estate for sale	58,183	25,836	475,390
Real estate for sale in process	101,658	56,250	830,607
Other current assets	7,574	7,745	61,884
Land	7,448	9,797	60,854
Buildings and structures	4,274	3,436	34,921
Total	¥ 217,438	¥ 137,587	\$ 1,776,599

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Mortgaged and Pledged Assets (continued)**

The carrying amounts of assets pledged as collateral for guarantees of liabilities of investees as of March 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2022</b>	2021	<b>2022</b>
Investment securities	<b>¥ 395</b>	¥ 395	<b>\$ 3,227</b>
Short-term loans receivable in other current assets	<b>1</b>	1	<b>8</b>
Long-term loans receivable	<b>8</b>	10	<b>65</b>

The carrying amounts of assets pledged as collateral in substitutes for deposits of certain construction and advertisement contracts were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2022</b>	2021	<b>2022</b>
Cash and bank deposits	<b>¥ 1,154</b>	¥ 2,153	<b>\$ 9,428</b>
Securities maturing within one year	–	0	–
Investment securities	<b>0</b>	–	<b>0</b>
Investments in capital in other assets	<b>60</b>	60	<b>490</b>

Securities maturing within one year deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥467 million (\$3,815 thousand) and nil as of March 31, 2022 and 2021, respectively.

Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥1,792 million (\$14,641 thousand) and ¥2,784 million as of March 31, 2022 and 2021, respectively.

Shares of consolidated subsidiaries used as collateral amounted to ¥271 million (\$2,214 thousand) and ¥313 million as of March 31, 2022 and 2021, respectively, which have been eliminated in the consolidated financial statements.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefit Plans**

The Company and certain subsidiaries have adopted funded defined benefit plans, unfunded retirement benefit plans and defined contribution plans. In certain cases, special retirement benefits may be paid to employees.

- (1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Balance at beginning of year	<b>¥ 665,041</b>	¥ 631,783	<b>\$ 5,433,785</b>
Service cost	<b>29,340</b>	28,609	<b>239,725</b>
Interest cost	<b>5,374</b>	5,109	<b>43,908</b>
Actuarial (gains) losses	<b>(3,634)</b>	14,406	<b>(29,691)</b>
Retirement benefits paid	<b>(17,615)</b>	(14,918)	<b>(143,925)</b>
Past service cost	<b>1,100</b>	–	<b>8,987</b>
Adjustments for business restructuring and others	<b>1</b>	51	<b>8</b>
Balance at end of year	<b>¥ 679,608</b>	¥ 665,041	<b>\$ 5,552,806</b>

- (2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Balance at beginning of year	<b>¥ 418,981</b>	¥ 364,720	<b>\$ 3,423,327</b>
Actuarial gains	<b>48,455</b>	42,054	<b>395,906</b>
Contributions from the employer	<b>27,917</b>	22,186	<b>228,098</b>
Retirement benefits paid	<b>(9,500)</b>	(9,979)	<b>(77,620)</b>
Retirement balance at end of year	<b>¥ 485,854</b>	¥ 418,981	<b>\$ 3,969,719</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefit Plans (continued)**

- (3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2022 and 2021, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Funded defined benefit obligation	<b>¥ 574,809</b>	¥ 559,373	<b>\$ 4,696,535</b>
Plan assets	<b>(485,854)</b>	(418,981)	<b>(3,969,719)</b>
	<b>88,955</b>	140,391	<b>726,815</b>
Unfunded defined benefit obligation	<b>104,798</b>	105,667	<b>856,262</b>
Net liabilities for retirement benefits in the balance sheet	<b>¥ 193,753</b>	¥ 246,059	<b>\$ 1,583,078</b>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Liabilities for retirement benefits	<b>¥ 193,753</b>	¥ 246,059	<b>\$ 1,583,078</b>
Net liabilities for retirement benefits in the balance sheet	<b>193,753</b>	246,059	<b>1,583,078</b>

- (4) The components of retirement benefit expense for the years ended March 31, 2022 and 2021, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Service cost	<b>¥ 29,340</b>	¥ 28,609	<b>\$ 239,725</b>
Interest cost	<b>5,374</b>	5,109	<b>43,908</b>
Amortization of actuarial gain	<b>(52,089)</b>	(27,648)	<b>(425,598)</b>
Past service cost	<b>1,100</b>	—	<b>8,987</b>
Retirement benefit expense	<b>¥(16,274)</b>	¥ 6,070	<b>\$ (132,968)</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefit Plans (continued)**

(5) Plan assets

a. Components of plan assets

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Domestic debt instruments	1%	1%
Overseas debt instruments	6	6
Domestic stocks	9	10
Overseas stocks	7	7
Cash and bank deposits	13	14
Private equity fund	28	21
Hedge fund	15	18
General accounts	8	8
Others	13	15
Total	<u>100%</u>	<u>100%</u>

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(6) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

	<u>2022</u>	<u>2021</u>
Discount rates	Principally 0.8%	Principally 0.8%
Expected rate of return on plan assets	0.0%	0.0%
Expected rate of pay raises	2.6%	2.6%

(7) Amortization of actuarial gain for employees' retirement benefits

Amortization of actuarial gain for employees' retirement benefits included in cost of sales and selling, general and administrative expenses was ¥52,089 million (\$425,598 thousand) and ¥27,648 million for the years ended March 31, 2022 and 2021, respectively.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 10. Retirement Benefit Plans (continued)

#### (8) Defined contribution plans

Required contributions to defined contribution plans of the Company and its certain consolidated subsidiaries were ¥6,958 million (\$56,851 thousand) and ¥6,708 million for the years ended March 31, 2022 and 2021, respectively.

### 11. Asset Retirement Obligations

Asset retirement obligations are mainly consisted of the obligations to remove leasehold improvements attached to the rental property and return the property to its original state after vacating the premises.

The liability has been calculated with expected useful lives ranging from 0 to 50 years and discount rates ranging from 0.00 % to 2.13 %.

The changes in asset retirement obligations for the years ended March 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>		<i>Thousands of</i>
	<b>2022</b>	2021	<b>2022</b>
Balance at beginning of year	<b>¥ 56,352</b>	¥ 52,040	<b>\$ 460,429</b>
Increase due to the acquisition of property, plant and equipment	<b>3,587</b>	4,200	<b>29,307</b>
Adjustment due to the elapse of time	<b>655</b>	780	<b>5,351</b>
Decrease due to fulfilment of asset retirement obligations	<b>(1,550)</b>	(668)	<b>(12,664)</b>
Balance at end of year	<b>¥ 59,045</b>	¥ 56,352	<b>\$ 482,424</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**12. Research and Development Costs**

Research and development costs included in “Selling, general and administrative expenses” were ¥9,503 million (\$77,645 thousand) and ¥10,209 million for the years ended March 31, 2022 and 2021, respectively.

**13. Gain (loss) on Sales of Fixed Assets**

Gain (loss) on sales of fixed assets for the years ended March 31, 2022 and 2021 consists of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Gain on sales of property, plant and equipment, and other assets:			
Buildings and constructions	<b>¥ 1,655</b>	¥ 487	<b>\$ 13,522</b>
Machinery and vehicles	<b>171</b>	44	<b>1,397</b>
Furniture and fixtures	<b>3</b>	7	<b>24</b>
Land	<b>328</b>	265	<b>2,679</b>
Intangible assets in other	<b>9</b>	–	<b>73</b>
<b>Total</b>	<b>¥ 2,167</b>	¥ 805	<b>\$ 17,705</b>
Loss on sales of property, plant and equipment:			
Buildings and constructions	<b>¥ (204)</b>	¥ (49)	<b>\$ (1,666)</b>
Machinery and vehicles	<b>(8)</b>	(47)	<b>(65)</b>
Furniture and fixtures	<b>(12)</b>	(12)	<b>(98)</b>
Land	<b>(241)</b>	(28)	<b>(1,969)</b>
Construction in progress	–	(38)	–
Intangible assets in other	<b>(0)</b>	(38)	<b>(0)</b>
<b>Total</b>	<b>¥ (466)</b>	¥ (215)	<b>\$ (3,807)</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**14. Impairment Loss**

The Group classified fixed assets by managerial accounting unit such as branch office, location and individual property, which are utilized as a basis of continuous monitoring of revenue and expenditures. The carrying amounts of the above assets were written down to recoverable amounts due to decreases in the prices of real estate or significant declines in profitability caused by severe competition. The recoverable value of impaired fixed assets was mainly measured at estimated value in use or net selling value. The net selling value amount is measured at appraisals in accordance with real estate appraisal standards or other means.

The Group recognized impairment losses of the following groups of assets for the years ended March 31, 2022 and 2021:

Use	Type of Assets	Location	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
			2022	2022
Real estate for lease	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, lease assets and intangible assets and tangible assets in other	Aichi Prefecture and others	¥ 3,805	\$ 31,089
Hotel	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land and intangible assets in other	Kagoshima Prefecture and others	2,527	20,647
Health and leisure facilities	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land and lease assets	Ishikawa Prefecture and others	12,676	103,570
Offices, factories and others	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, lease assets, intangible assets in other and construction in progress	Myanmar and others	552	4,510
Others	Buildings and structures, tools, furniture and fixtures, land and intangible assets in other	U.S.A and others	4,585	37,462
Total			¥ 24,147	\$ 197,295

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Impairment Loss (continued)

Classification of Company	Type of Assets	Location	<i>Millions of yen</i>
			2021
Real estate for lease	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, lease assets and intangible assets in other	Osaka Prefecture and others	¥ 8,693
Hotel	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, lease assets, intangible assets in other and construction in progress	Hokkaido Prefecture and others	6,436
Health and leisure facilities	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, lease assets and intangible assets in other	Ishikawa Prefecture and others	1,299
Offices, factories and others	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land and intangible assets in other	Aichi Prefecture and others	464
Others	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, land, lease assets, intangible assets in other and goodwill	Australia and others	4,170
Total			<u>¥ 21,065</u>

## Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **15. Subsidy Income Related to COVID-19 Pandemic**

Based on the announcements and requests of national and local governments to prevent the spread of COVID-19 pandemic, the Group temporarily closed operating facilities and others. The support funding received from national and local governments to compensate for fixed costs incurred during this period of temporary closures such as personnel expenses and depreciation expense have been recorded in other income as “Subsidy income related to COVID-19 Pandemic” in the consolidated statement of income for the year ended March 31, 2022 and 2021.

#### **16. Special Retirement Benefit Expenses Related to Employee Career Support After Retirement**

The Company has decided to expand its “career design support program” (a special early retirement program) for its employees, and applicants have been confirmed. As a result, extra retirement benefit expenses have been recorded as “Special retirement benefit expenses related to employee career support after retirement”.

#### **17. Loss on COVID-19 Pandemic**

Based on the announcements and requests of national and local governments to prevent the spread of COVID-19 pandemic, the Group temporarily closed operating facilities and others. Fixed costs incurred during this period of temporary closures such as personnel expenses and depreciation expense have been recorded in other expenses as “Loss on COVID-19 Pandemic” in the consolidated statement of income for the years ended March 31, 2022 and 2021.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**18. Income Taxes**

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 31% for the years ended March 31, 2022 and 2021. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The significant components of the Group's deferred tax assets (liabilities) at March 31, 2022 and 2021 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Deferred tax assets:			
Loss on valuation of real estate for sale	¥ 4,288	¥ 3,872	\$ 35,035
Accrued bonuses	16,907	16,047	138,140
Accrued enterprise tax	4,098	4,159	33,483
Liabilities for employees' retirement benefits	60,058	76,289	490,710
Unrealized gains on property, plant and equipment by consolidation	14,671	11,901	119,870
Excess of depreciation of property, plant and equipment	32,627	30,158	266,582
Impairment loss	17,824	13,190	145,632
Tax loss carryforwards	22,367	18,065	182,751
Other	94,636	86,439	773,233
Total of tax loss carryforwards and temporary differences	267,483	260,125	2,185,497
Less valuation allowance	(61,302)	(53,028)	(500,874)
Deferred tax assets	<b>206,181</b>	207,096	<b>1,684,622</b>
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(2,359)	(2,386)	(19,274)
Net unrealized gain on securities	(29,167)	(25,359)	(238,311)
Other	(25,542)	(22,371)	(208,693)
Deferred tax liabilities	<b>(57,069)</b>	(50,116)	<b>(466,288)</b>
Net deferred tax assets	<b>¥ 149,111</b>	¥ 156,979	<b>\$ 1,218,326</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**18. Income Taxes (continued)**

A reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Statutory tax rate	<b>30.6%</b>	30.6%
Effect of:		
Non-deductible expenses for tax purpose	<b>0.7</b>	0.7
Per capita portion of inhabitant tax	<b>0.5</b>	0.5
Equity in losses of affiliates	<b>0.6</b>	1.1
Change in valuation allowances	<b>2.8</b>	0.1
Expiration of tax loss carry forwards	<b>0.2</b>	1.7
Tax credits	<b>(0.2)</b>	(0.3)
Reversal of land revaluation reserve	<b>0.0</b>	(0.1)
Other	<b>0.2</b>	1.0
Effective tax rate	<b><u>35.2%</u></b>	<u>35.3%</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**19. Other Comprehensive Income**

The components of other comprehensive income for the years ended March 31, 2022 and 2021 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Unrealized holding gain on securities:			
Amount arising during the year	¥ <b>6,404</b>	¥ 32,209	\$ <b>52,324</b>
Reclassification adjustments for (losses) gains included in profit	<b>(383)</b>	31	<b>(3,129)</b>
Amount before tax effect	<b>6,020</b>	32,240	<b>49,187</b>
Tax effect	<b>(1,388)</b>	(9,784)	<b>(11,340)</b>
Unrealized gain on securities	<b>4,631</b>	22,455	<b>37,838</b>
Deferred (loss) gain on hedging instruments:			
Amount arising during the year	<b>(1,259)</b>	27	<b>(10,286)</b>
Reclassification adjustments for gains included in profit	–	6	–
Amount before tax effect	<b>(1,259)</b>	33	<b>(10,286)</b>
Tax effect	<b>389</b>	(13)	<b>3,178</b>
Deferred (loss) gain on hedging instruments:	<b>(870)</b>	19	<b>(7,108)</b>
Land revaluation reserve:			
Tax effect	<b>15</b>	5	<b>122</b>
Foreign currency translation adjustments:			
Amount arising during the year	<b>34,163</b>	(9,795)	<b>279,132</b>
Reclassification adjustments for gains included in profit	–	24	–
Foreign currency translation adjustments:	<b>34,163</b>	(9,770)	<b>279,132</b>
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	<b>1,688</b>	(344)	<b>13,791</b>
Reclassification adjustments for gains included in profit	<b>560</b>	–	<b>4,575</b>
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method:	<b>2,249</b>	(344)	<b>18,375</b>
Total other comprehensive income	<b>¥ 40,190</b>	¥ 12,365	<b>\$ 328,376</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Net Assets**

*Shareholders' equity*

The Companies Act of Japan (the "Act") requires the Company to transfer an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The Company's legal reserve included in retained earnings at March 31, 2022 and 2021 amounted to ¥ 17,690 million (\$144,537 thousand). Under the Act, upon the issuance and sales of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

*Shares issued and outstanding / treasury stock*

For the year ended March 31, 2022

Types of shares	<i>Thousands of shares</i>			Number of shares as of March 31, 2022
	Number of shares as of April 1, 2021	Increase	Decrease	
Shares issued:				
Common stock	<b>666,238</b>	–	–	<b>666,238</b>
Treasury stock:				
Common stock (Notes 1, 2 and 3)	<b>12,000</b>	<b>3</b>	<b>1,434</b>	<b>10,570</b>

Notes: 1) Details of the increase are as follows:

	<i>Thousands of shares</i>
Increase due to purchase of shares of less than standard unit	3

Notes: 2) Details of the decrease are as follows:

	<i>Thousands of shares</i>
Decrease due to exercise of stock acquisition rights	1,411
Decrease due to sale of shares less than one unit by the Company	0
Decrease due to third party share issuance to the trust for delivery of shares to directors	22

Notes: 3) The numbers of shares (61 thousand and 83 thousand) held by the trust for delivery of shares to directors as of March 31, 2022 and April 1, 2021, respectively, were included in the number of shares of treasury stock.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Net Assets (continued)**

For the year ended March 31, 2021

Types of shares	<i>Thousands of shares</i>			Number of shares as of March 31, 2021
	Number of shares as of April 1, 2020	Increase	Decrease	
Shares issued:				
Common stock	666,238	—	—	666,238
Treasury stock:				
Common stock (Notes 1, 2 and 3)	2,218	10,003	221	12,000

Notes: 1) Details of the increase are as follows:

	<i>Thousands of shares</i>
Increase due to purchase of the treasury stock approved by resolution of the Board of Directors	10,000
Increase due to purchase of shares of less than standard unit	3

Notes: 2) Details of the decrease are as follows:

	<i>Thousands of shares</i>
Decrease due to exercise of stock acquisition rights	173
Decrease due to sale of shares less than one unit by the Company	0
Decrease due to third party share issuance to the trust for delivery of shares to directors	47

Notes: 3) The numbers of shares (83 thousand and 131 thousand) held by the trust for delivery of shares to directors as of March 31, 2021 and April 1, 2020, respectively, were included in the number of shares of treasury stock.

*Stock Acquisition Rights*

The amount of stock acquisition rights (2016 Stock Options) was ¥91 million for the year ended March 31, 2021. The issuer is the Company and type of shares issued upon exercising the right is common stock.

*Accounting Method for the Trust for Delivery of Shares to Directors*

From the year ended March 31, 2017, the Company adopted the Trust for Delivery of Shares to Directors that is a performance-based stock compensation plan for the Company's directors to achieve the earnings targets outlined in the Medium-Term Management Plan and sustained enhancement of corporate value. The Company recorded the Company stock held by the trust as part of treasury stock in equity.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 20. Net Assets (continued)

#### (1) Overview of transaction

Under the Trust for Delivery of Shares to Directors, the Company established and made financial contributions to a trust in accordance with the scope approved at the 77th general shareholders meeting held on June 28, 2016, and the trust then acquired shares of the Company. The trust delivered the shares to directors in amounts corresponding to the number of points assigned to the directors according to their rank and Group's return on equity (ROE).

- (2) The trust held the treasury stock, which was included in the consolidated balance sheet as of March 31, 2022 and 2021, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Treasury stock	<b>¥ 188</b>	¥ 256	<b>\$ 1,536</b>
	<i>Thousands of shares</i>		
	<b>2022</b>	2021	
Number of shares as of the fiscal year end	<b>61</b>	83	
Average number of shares during the fiscal year	<b>68</b>	98	

The corresponding shares are treated as part of treasury stock that is excluded from the amount per share computation.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**20. Net Assets (continued)**

*Dividends paid*

For the year ended March 31, 2022

Resolution	Types of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Shareholders' meeting held on June 29, 2021	Common stock	¥ 43,185	\$ 352,847	¥ 66.0	\$ 0.53	March 31, 2021	June 30, 2021
Meeting of the Board of Directors held on November 9, 2021	Common stock	¥ 36,054	\$ 294,582	¥ 55.0	\$ 0.44	September 30, 2021	December 6, 2021

For the year ended March 31, 2021

Resolution	Types of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Shareholders' meeting held on June 26, 2020	Common stock	¥ 39,849	¥ 60.0	March 31, 2020	June 29, 2020
Meeting of the Board of Directors held on November 11, 2020	Common stock	¥ 32,707	¥ 50.0	September 30, 2020	December 7, 2020

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 21. Stock Options

On January 12, 2018, the ASBJ issued PITF No. 36, “Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions,” which requires transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions to be accounted for in accordance with ASBJ Statement No. 8, “Accounting Standard for Share-based Payment.” PITF No. 36 is effective for annual periods beginning on or after April 1, 2018. The Company adopted PITF No. 36 prospectively as of April 1, 2018, and continued to account for the transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions that occurred prior to the application of PITF No. 36 in accordance with the accounting policy previously applied. A summary of these transactions that occurred prior to the adoption of PITF No. 36 is as follows:

When stock options are issued, the corresponding amount is recorded in net assets as stock acquisition rights. When stock options are exercised and corresponding treasury stock is disposed as a consideration, the difference between the book value of treasury stock disposed and the one of stock acquisition rights are recorded in net asset as gain or loss on disposal of treasury stock. In case of cancellation of stock option, the corresponding amount is charged to other income in the period that the cancellation is determined. The gain on reversal of stock acquisition rights for the year ended March 31, 2022 was ¥10 million (\$81 thousand).

The stock options outstanding as of March 31, 2022, were as follows:

Stock options	Grantees	Number of options granted	Date of grant	Exercise price (Yen)	Exercise price (U.S. dollars)	Exercise period
	16 directors					
2016 stock option	41 corporate officers 418 employees 112 subsidiary directors	2,013,500 shares	July 5, 2016	¥ 3,017	\$ 24	From May 1, 2019 to March 31, 2022

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**21. Stock Options (continued)**

The stock option activity is as follows:

	<u>2016 Stock Option</u> <i>(Shares)</i>
Non-vested	
March 31, 2021 – Outstanding	
Granted	–
Forfeited	–
Vested	–
March 31, 2022 – Outstanding	<u>–</u>
Vested	
March 31, 2021 – Outstanding	1,599,700
Vested	–
Exercised	1,411,900
Forfeited	187,800
March 31, 2022 – Outstanding	<u>–</u>
Exercise price	¥ 3,017 (\$24)
Average stock price at exercise	¥ 3,318 (\$27)

Conditions for the exercise of stock acquisition rights are as follows:

- 1) The Group's operating results must meet certain predetermined performance targets of the Group which had already been achieved.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 22. Amounts Per Share

Basic profit per share is computed by dividing profit attributable to owners of the parent by the weighted-average number of common shares outstanding for the year.

Diluted profit per share of common stock is computed by using the weighted-average number of common stock outstanding adjusted to include the potentially dilutive effect of stock acquisition rights that were outstanding during the year.

Amounts per share as of and for the years ended March 31, 2022 and 2021 were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Profit attributable to owners of parent:			
Basic	¥ 343.82	¥ 297.18	\$ 2.80
Diluted	—	—	—
Net assets	<b>3,081.07</b>	2,805.09	<b>25.17</b>

Diluted profit per share is not presented because there were no potential shares with dilutive effect outstanding for the year ended March 31, 2021. Diluted profit per share is not presented because there were no potential shares outstanding for the year ended March 31, 2022.

In calculating the number of shares issued as of March 31, 2022 and 2021, above, the number of shares held by the Trust for Delivery of Shares to Directors (61 thousand shares and 83 thousand shares in 2022 and 2021, respectively) is reflected as treasury stock.

In calculating the number of weighted-average shares above, the number of shares that are held by the Trust (68 thousand shares and 98 thousand shares in 2022 and 2021, respectively) is included in treasury stock.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**23. Leases**

**Finance leases:**

*(Lessee)*

The Group leases certain city hotels, commercial facilities, city hotel equipment, computer equipment and intangible assets in other assets.

***Pro forma information of leased property whose lease inception was on or before March 31, 2008***

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee whose lease inception was on or before March 31, 2008 to continue to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the consolidated financial statements. The Group applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information regarding leased property whose lease inception was on or before March 31, 2008 was as follows:

	<i>Millions of yen</i>		
	<b>2022</b>		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	¥ 141,079	¥ 59	¥ 141,139
Accumulated depreciation	(108,515)	(46)	(108,561)
Accumulated impairment loss	(3,040)	–	(3,040)
Net leased property	¥ 29,523	¥ 13	¥ 29,536

  

	<i>Millions of yen</i>		
	2021		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	¥ 156,135	¥ 59	¥ 156,195
Accumulated depreciation	(116,324)	(43)	(116,367)
Accumulated impairment loss	(3,490)	–	(3,490)
Net leased property	¥ 36,321	¥ 16	¥ 36,337

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Leases (continued)

Finance leases: (continued)

	<i>Thousands of U.S. dollars</i>		
	<b>2022</b>		
	Buildings and structures	Machinery, equipment and vehicles	Total
Acquisition cost	<b>\$ 1,152,700</b>	<b>\$ 482</b>	<b>\$ 1,153,190</b>
Accumulated depreciation	<b>(886,632)</b>	<b>(375)</b>	<b>(887,008)</b>
Accumulated impairment loss	<b>(24,838)</b>	–	<b>(24,838)</b>
Net leased property	<b>\$ 241,220</b>	<b>\$ 106</b>	<b>\$ 241,326</b>

Future minimum lease payments subsequent to March 31, 2022 for finance leases were as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Years Ending March 31	<b>2022</b>	<b>2022</b>
2023	<b>¥ 8,314</b>	<b>\$ 67,930</b>
2024 and thereafter	<b>29,080</b>	<b>237,601</b>
Total	<b>¥ 37,394</b>	<b>\$ 305,531</b>

The allowance for impairment loss on leased property of ¥1,397 million (\$11,414 thousand) and ¥1,611 million as of March 31, 2022 and 2021, respectively, is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases for the years ended March 31, 2022 and 2021, were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Lease payments	<b>¥ 11,517</b>	¥ 13,178	<b>\$ 94,100</b>
Reversal of allowance for impairment loss on leased property	<b>438</b>	476	<b>3,578</b>
Depreciation expense	<b>6,737</b>	7,501	<b>55,045</b>
Interest expense	<b>3,304</b>	3,100	<b>26,995</b>
Impairment loss	<b>224</b>	322	<b>1,830</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**23. Leases (continued)**

**Finance leases: (continued)**

*(Lessor)*

The net investments in leases as of March 31, 2022 and 2021, were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Gross lease receivables	¥ 71,542	¥ 48,452	\$ 584,541
Unguaranteed residual values	2,231	1,974	18,228
Unearned interest income	(21,915)	(16,906)	(179,058)
Investments in leases, current	<b>¥ 51,858</b>	¥ 33,519	<b>\$ 423,711</b>

Contractual maturities of lease receivables from finance lease transactions subsequent to March 31, 2022 in which the ownership of the leased assets is transferred to the lessee are as follows:

<u>Years Ending March 31</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2023	¥ 6,995	\$ 57,153
2024	6,770	55,314
2025	6,021	49,195
2026	5,592	45,690
2027	4,604	37,617
2028 and thereafter	14,939	122,060
Total	<b>¥ 44,924</b>	<b>\$ 367,056</b>

Contractual maturities of the above gross lease receivables subsequent to March 31, 2022 in which the ownership of the leased assets is not transferred to the lessee are as follows:

<u>Years Ending March 31</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2023	¥ 11,380	\$ 92,981
2024	9,525	77,824
2025	7,783	63,591
2026	6,599	53,917
2027	4,902	40,052
2028 and thereafter	31,351	256,156
Total	<b>¥ 71,542</b>	<b>\$ 584,541</b>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**23. Leases (continued)**

**Operating Leases:**

*(Lessee)*

Future minimum lease payments subsequent to March 31, 2022 for noncancelable operating leases were as follows:

<u>Years Ending March 31</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	<b>2022</b>	<b>2022</b>
2023	<b>¥ 63,096</b>	<b>\$ 515,532</b>
2024 and thereafter	<b>605,743</b>	<b>4,949,285</b>
Total	<b>¥ 668,839</b>	<b>\$ 5,464,817</b>

Lease transactions of lessees subject to IFRS 16 “Leases” for overseas subsidiaries, were not included in the above amount for the year ended March 31, 2022.

*(Lessor)*

Future minimum lease income subsequent to March 31, 2022 for noncancelable operating lease were as follows:

<u>Years Ending March 31</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	<b>2022</b>	<b>2022</b>
2023	<b>¥ 13,175</b>	<b>\$ 107,647</b>
2024 and thereafter	<b>268,278</b>	<b>2,191,992</b>
Total	<b>¥ 281,453</b>	<b>\$ 2,299,640</b>

Penalty income for early cancelation is included in the amount for 2024 and thereafter.

**24. Contingent Liabilities**

As of March 31, 2022, the Group had the following contingent liabilities:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Trade notes receivable discounted	<b>¥ 148</b>	<b>\$ 1,209</b>
Guarantees and similar items of bank loans:		
House purchasers’ loans from banks	<b>14,731</b>	<b>120,361</b>
Loans of affiliates from banks	<b>8,734</b>	<b>71,362</b>

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 25. Financial Instruments and Related Disclosures

#### (1) Policy for financial instruments

The Group manages cash surpluses mainly through low-risk financial assets. The Group raises funds mainly through bank loans and direct finance such as issuance of bonds and commercial paper. The Group enters into derivative transactions for the purpose of managing exposure to financial risks and does not enter into derivative transactions for speculative or trading purposes.

#### (2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as trade notes and accounts receivable and lease deposits, are exposed to customer credit risk. The Group manages its credit risk by monitoring payment status, payment due and balances by customers to identify the default risk such as making financial positions of customers worse at an early stage.

Marketable and investment securities, such as stock, certificates of deposit, debt securities, investment trusts and investments in capital of partnership, are exposed to issuers' credit risk and market price fluctuation risk. The Group manages its credit risk and market price fluctuation risk by monitoring market values and the financial position of issuers and reviews the holding status on a regular basis with considering the business relationships with issuers.

Payment terms of payables, such as trade notes and accounts payable, are mainly less than one year. Lease deposits received consist mainly of the deposits of the real estate business. The loans from banks and bonds are used mainly for investment in plant, equipment and leased property. Some of such bank loans and payables are exposed to liquidity risk. The Group manages liquidity risk by maintaining appropriate amounts of liquid assets along with sufficient financial planning by the financial department of the Group based on the reports from each section and consolidated subsidiaries.

Loans with floating interest rates from banks and foreign currency receivables and payables denominated in foreign currencies are exposed to the fluctuation risks of interest rate or exchange rate. Derivative transactions such as interest swap contracts, foreign currency swap contracts and foreign currency forward contracts are used for certain transactions as heading instruments by individual contracts. Certain consolidated subsidiaries utilize bond future contracts to hedge interest fluctuation risk of loans.

The Group enters into derivative transactions described above based on internal guidelines. To minimize credit risks, the counterparties to those derivatives are mainly limited to major international financial institutions with higher credit ratings and status of derivative transactions are reported to Director of the Financing Department on a regular basis. Please see Note 1 "q. Derivative financial instruments".

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosures (continued)**

(3) Supplemental information for fair values of financial instruments

As various factors are incorporated into fair value calculations, the resulting values may vary if different assumptions are used. In addition, the contract amounts as shown in Note 26 “Derivatives” do not indicate the market risk associated with derivative transactions.

The carrying values of financial instruments on the accompanying consolidated balance sheet as of March 31, 2022 and 2021 and their estimated fair values are shown in the following table. The following table does not include stocks with no market prices and investments in limited liability partnership and others.

Cash and bank deposits, trade notes and accounts payables, payables-other, short-term bank loans, and income taxes payable are omitted since they are cash, or their fair values approximate their carrying values because of their short-term maturities.

	<i>Millions of yen</i>		
	<b>2022</b>		
	Carrying value	Fair value	Difference
<b>Assets</b>			
Trade notes and accounts receivables	¥ 176,993	¥	¥
Allowance for doubtful accounts	(3,056)		
	<u>173,937</u>	<u>173,633</u>	<u>(304)</u>
Marketable and investment securities:			
Held-to-maturity debt securities	2,304	2,324	20
Other securities	187,544	187,544	-
Lease deposits	251,053		
Allowance for doubtful accounts	(200)		
	<u>250,853</u>	<u>244,579</u>	<u>(6,273)</u>
Total assets	<u>¥ 614,640</u>	<u>¥ 608,082</u>	<u>¥ (6,557)</u>
<b>Liabilities</b>			
Long-term debt:			
Bonds	¥ 433,000	¥ 431,117	¥ (1,882)
Loans from banks	838,086	839,207	1,120
Lease deposits received	296,500	286,377	(10,123)
Total liabilities	<u>¥ 1,567,587</u>	<u>¥ 1,556,701</u>	<u>¥ (10,885)</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosures (continued)**

(3) Supplemental information for fair values of financial instruments (continued)

	<i>Millions of yen</i>		
	2021		
	Carrying value	Fair value	Difference
Assets			
Trade notes and accounts receivables	¥ 401,314	¥	¥
Allowance for doubtful accounts	(1,463)		
	399,851	399,851	-
Marketable and investment securities:			
Held-to-maturity debt securities	2,844	2,886	41
Other securities	159,500	159,500	-
Lease deposits	251,358		
Allowance for doubtful accounts	(200)		
	251,157	246,701	(4,456)
Total assets	¥ 813,354	¥ 808,939	¥ (4,415)
Liabilities			
Long-term debt:			
Bonds	¥ 423,000	¥ 423,431	¥ 431
Loans from banks	724,401	728,040	3,639
Lease deposits received	284,946	276,155	(8,790)
Total liabilities	¥ 1,432,348	¥ 1,427,628	¥ (4,720)

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosures (continued)**

(3) Supplemental information for fair values of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>		
	<b>2022</b>		
	Carrying value	Fair value	Difference
Assets			
Trade notes and accounts receivables	\$ 1,446,139	\$	\$
Allowance for doubtful accounts	(24,969)		
	<u>1,421,170</u>	<u>1,418,686</u>	<u>(2,483)</u>
Marketable and investment securities:			
Held-to-maturity debt securities	18,825	18,988	163
Other securities	1,532,347	1,532,347	–
Lease deposits	2,051,254		
Allowance for doubtful accounts	(1,634)		
	<u>2,049,620</u>	<u>1,998,357</u>	<u>(51,254)</u>
Total assets	<u>\$ 5,021,978</u>	<u>\$ 4,968,396</u>	<u>\$ (53,574)</u>
Liabilities			
Long-term debt:			
Bonds	\$ 3,537,870	\$ 3,522,485	\$ (15,377)
Loans from banks	6,847,667	6,856,826	9,151
Lease deposits received	2,422,583	2,339,872	(82,711)
Total liabilities	<u>\$ 12,808,129</u>	<u>\$ 12,719,184</u>	<u>\$ (88,937)</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosures (continued)**

(3) Supplemental information for fair values of financial instruments (continued)

Notes: 1) The carrying value of investments in securities without a quoted market price and investments in limited liability partnership and others are shown in the following table, and these are not included in “Marketable and investment securities”.

	Carrying amount		
	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Investments in securities without a quoted market price (*1)	<b>¥ 31,839</b>	¥ 37,142	<b>\$ 260,143</b>
Preferred fund certificates (*2)	–	17,262	–
Investments in limited liability partnership and others (*3)	<b>14,674</b>	15,291	<b>119,895</b>

(\*1) Investments in securities without a quoted market price include unlisted stocks and others are not subject to disclosure of fair value in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

(\*2) Preferred fund certificates are included in “Other securities” under marketable and investment securities in the “Supplemental information for fair values of financial instruments” table.

(\*3) Investments in limited liability partnership and others are mainly investments in partnership investments in anonymous associations and others. These are not subject to disclosure of fair value in accordance with Paragraph 27 of the “Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, July 4, 2019).

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosures (continued)**

(3) Supplemental information for fair values of financial instruments (continued)

Notes: 2) Redemption schedule for receivables and marketable and investment securities with maturities as of March 31, 2022 and 2021 was as follows:

	<i>Millions of yen</i>			
	<b>2022</b>			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and bank deposits	¥ 337,632	¥ –	¥ –	¥ –
Trade notes and accounts receivables	155,761	8,918	5,187	7,126
Marketable and investment securities:				
Held-to-maturity debt securities	485	1,828	–	10
Other securities with contractual maturities (*)	2,192	9,406	–	120
Lease deposits	24,628	76,888	49,907	102,525
<b>Total</b>	<b>¥ 520,700</b>	<b>¥ 97,040</b>	<b>¥ 55,094</b>	<b>¥ 109,782</b>

  

	<i>Millions of yen</i>			
	<b>2021</b>			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and bank deposits	¥ 425,980	¥ –	¥ –	¥ –
Trade notes and accounts receivables	380,256	20,308	–	749
Marketable and investment securities:				
Held-to-maturity debt securities	554	2,313	–	10
Other securities with contractual maturities (*)	–	11,448	–	120
Lease deposits	30,229	77,930	58,125	88,115
<b>Total</b>	<b>¥ 837,019</b>	<b>¥ 112,001</b>	<b>¥ 58,125</b>	<b>¥ 88,994</b>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosures (continued)**

(3) Supplemental information for fair values of financial instruments (continued)

	<i>Thousands of U.S. dollars</i>			
	<b>2022</b>			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and bank deposits	<b>\$2,758,656</b>	\$ –	\$ –	\$ –
Trade notes and accounts receivables	<b>1,272,661</b>	<b>72,865</b>	<b>42,380</b>	<b>58,223</b>
Marketable and investment securities:				
Held-to-maturity debt securities	<b>3,962</b>	<b>14,935</b>	–	<b>81</b>
Other securities with contractual maturities (*)	<b>17,909</b>	<b>76,852</b>	–	<b>980</b>
Lease deposits	<b>201,225</b>	<b>628,221</b>	<b>407,770</b>	<b>837,690</b>
<b>Total</b>	<b><u>\$4,254,432</u></b>	<b><u>\$792,875</u></b>	<b><u>\$450,151</u></b>	<b><u>\$896,985</u></b>

(\*) Other securities with contractual maturities do not include perpetual subordinated bonds with no redemption date.

Notes: 3) The redemption schedule for bonds and bank loans is presented in Note 8 “Short-Term Bank Loans, Commercial Paper and Long-Term Debt.”

(4) Breakdown by level of fair values of financial instruments

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1: Fair values measured using (unadjusted) quoted prices of identical assets or liabilities in active markets

Level 2: Fair values measured using inputs other than inputs included within Level 1 among observable valuation inputs

Level 3: Fair values measured using unobservable valuation inputs

When several inputs that have significant impact on fair value measurement are used, the fair value is categorized into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Financial Instruments and Related Disclosure (continued)**

(4) Breakdown by level of fair values of financial instruments (continued)

1) Financial assets and liabilities at fair value on the consolidated balance sheets

	<i>Millions of yen</i>			
	<b>2022</b>			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Stocks	¥ 151,463	¥ –	¥ –	¥ 151,463
Preferred fund certificates	–	–	21,363	21,363
Bonds	–	–	14,718	14,718
Total	<u>¥ 151,463</u>	<u>¥ –</u>	<u>¥ 36,081</u>	<u>¥ 187,544</u>
	<i>Thousands of U.S. dollars</i>			
	<b>2022</b>			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Stocks	\$ 1,237,543	\$ –	\$ –	\$ 1,237,543
Preferred fund certificates	–	–	174,548	174,548
Bonds	–	–	120,254	120,254
Total	<u>\$ 1,237,543</u>	<u>\$ –</u>	<u>\$ 294,803</u>	<u>\$ 1,532,347</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Financial Instruments and Related Disclosure (continued)

(4) Breakdown by level of fair values of financial instruments (continued)

2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheet

	<i>Millions of yen</i>			
	2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trade notes and accounts receivables	¥ –	¥ 173,633	¥ –	¥ 173,633
Marketable and investment securities:				
Held-to-maturity debt securities	2,324	–	–	2,324
Lease deposits	–	244,579	–	244,579
<b>Total assets</b>	<b>¥ 2,324</b>	<b>¥ 418,213</b>	<b>¥ –</b>	<b>¥ 420,538</b>
<b>Liabilities</b>				
<b>Long-term debt:</b>				
Bonds	¥ –	¥ 431,117	¥ –	¥ 431,117
Loans from banks	–	822,301	16,905	839,207
Lease deposits received	–	269,717	16,659	286,377
<b>Total liabilities</b>	<b>¥ –</b>	<b>¥ 1,523,136</b>	<b>¥ 33,565</b>	<b>¥ 1,556,701</b>
	<i>Thousands of U.S. dollars</i>			
	2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Trade notes and accounts receivables	\$ –	\$ 1,418,686	\$ –	\$ 1,418,686
Marketable and investment securities:				
Held-to-maturity debt securities	18,988	–	–	18,988
Lease deposits	–	1,998,357	–	1,998,357
<b>Total assets</b>	<b>\$ 18,988</b>	<b>\$ 3,417,052</b>	<b>\$ –</b>	<b>\$ 3,436,048</b>
<b>Liabilities</b>				
<b>Long-term debt:</b>				
Bonds	\$ –	\$ 3,522,485	\$ –	\$ 3,522,485
Loans from banks	–	6,718,694	138,124	6,856,826
Lease deposits received	–	2,203,750	136,114	2,339,872
<b>Total liabilities</b>	<b>\$ –</b>	<b>\$ 12,444,938</b>	<b>\$ 274,246</b>	<b>\$ 12,719,184</b>

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 25. Financial Instruments and Related Disclosure (continued)

#### (4) Breakdown by level of fair values of financial instruments (continued)

- 2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheet (continued)

Notes: Description of the valuation techniques and inputs used in fair value measurement and supplemental information for securities and derivatives.

#### *Assets*

##### *Trade notes and accounts receivable*

The fair values of trade notes and accounts receivable are measured at present value calculated by maturity periods to collection using a discount rate with credit risks, and are categorized as Level 2.

##### *Marketable and investment securities*

Securities for which unadjusted quoted market prices in active markets are available, such as listed stocks and government bonds, are categorized into Level 1. For preferred investments, the fair value is measured based on the book value net assets reflecting the fair value of real estate held by the investee, and for bonds without a quoted market price, the fair value is measured based on the price calculated by the option pricing method. These items are categorized as Level 3 because the impact of unobservable inputs on fair value is significant. Fair value information for marketable and investment securities by classification is included in Note 4 “Marketable and Investment Securities.”

##### *Lease deposits*

The fair values of lease deposits is measured at present value calculated by maturity periods to collection and discount rate with credit risks, and is categorized as Level 2.

#### *Liabilities*

##### *Bonds*

The fair value of bonds is measured at the value calculating by prices and yield information published by industry associations and others, and is categorized as Level 2.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 25. Financial Instruments and Related Disclosure (continued)

#### (4) Breakdown by level of fair values of financial instruments (continued)

- 2) Financial assets and liabilities which are not stated at fair value on the consolidated balance sheet (continued)

##### *Loans from banks*

The carrying values of long-term loans from banks with floating rates (other than those accounted by “Exceptional treatment” described in 1. Summary of Significant Accounting Policies, q. Derivative financial instruments) approximate fair value because they reflect the market interest rates in a timely manner.

The fair values of loans from banks with fixed rates are determined at the present value by discounting the cash flows related to the debt, the total amounts of principal and interest payments, at the Group’s assumed corporate discount rate corresponding to loan periods. The fair values of loans from banks with the interest rate swap or currency swap transactions are determined at the present value by discounting the total amounts of principal and interest payments related to the debt at the Group’s assumed corporate discount rate corresponding to loan periods.

If the impact of unobservable inputs is significant, the fair value is categorized as Level 3, otherwise the fair value is categorized as Level 2.

##### *Lease deposits received*

The fair value of lease deposits received is measured at present value calculated by maturity periods to payment and discount rate with credit risks

If the impact of unobservable inputs is significant, the fair value is categorized as Level 3, otherwise the fair value is categorized as Level 2.

##### *Derivatives*

The information regarding the fair value for derivatives is included in Note 26 “Derivatives”.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Derivatives

Derivative transactions to which hedge accounting was applied as of March 31, 2022 and 2021 were as follows:

		<i>Millions of yen</i>			
		<b>2022</b>		2021	
	Hedged item	Contract amount	Contract amount due after one year	Contract amount	Contract amount due after one year
Interest rate swaps:					
Fixed rate payment, floating rate receipt	Long-term debt – loans from banks	<b>¥ 25,760</b>	<b>¥ 25,447</b>	¥ 30,972	¥ 25,526
Interest rate and currency swaps:					
Fixed rate payment in yen, floating rate receipt in U.S. dollars	Long-term debt – loans from banks	<b>26,128</b>	<b>16,128</b>	26,128	26,128
		<i>Thousands of U.S. dollars</i>			
		<b>2022</b>			
	Hedged item	Contract amount	Contract amount due after one year		
Interest rate swaps:					
Fixed rate payment, floating rate receipt	Long-term debt – loans from banks	<b>\$ 210,474</b>	<b>\$ 207,917</b>		
Interest rate and currency swaps:					
Fixed rate payment in yen, floating rate receipt in U.S. dollars	Long-term debt – loans from banks	<b>213,481</b>	<b>131,775</b>		

The above interest rate swaps and interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or income, and long-term debts and short-term bank loans denominated in a foreign currency are translated at the contracted rates (allocation method and special treatment). In addition, the fair values of such interest rate swaps and interest rate and currency swaps in Note 25 “Financial Instruments and Related Disclosure” are included in those of the hedged items (i.e., long-term debt).

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**27. Supplemental Cash Flow Information**

Cash and cash equivalents in the consolidated statement of cash flows for the years ended March 31, 2022 and 2021 are reconciled to cash and bank deposits in the consolidated balance sheets as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<b>2022</b>	2021	<b>2022</b>
Cash and bank deposits	<b>¥ 337,632</b>	¥ 425,980	<b>\$ 2,758,656</b>
Time deposits with maturities of more than three months	<b>(11,381)</b>	(9,658)	<b>(92,989)</b>
Cash and cash equivalents	<b>¥ 326,250</b>	¥ 416,321	<b>\$ 2,665,658</b>

Breakdown of assets and liabilities at the start of consolidation of CastleRock Communities LLC. (hereinafter a “newly consolidated subsidiary”) in connection with the acquisition of investments in capital of a newly consolidated subsidiary and the relationship between purchase cost and expenditures for purchase of investment in a newly consolidated subsidiary are as follows:

	<i>Millions of Yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2022</b>	<b>2022</b>
Current assets	<b>¥ 34,919</b>	<b>\$ 285,309</b>
Fixed assets	<b>30</b>	<b>245</b>
Goodwill	<b>24,851</b>	<b>203,047</b>
Current liabilities	<b>(3,783)</b>	<b>(30,909)</b>
Long-term liabilities	<b>(6,460)</b>	<b>(52,782)</b>
Non-controlling interests	<b>(5,149)</b>	<b>(42,070)</b>
Purchase cost of investments in capital of a newly consolidated subsidiary	<b>44,408</b>	<b>362,840</b>
Cash and cash equivalents of a newly consolidated subsidiary	<b>(1,237)</b>	<b>(10,107)</b>
Purchase of investment in subsidiary resulting in change in scope of consolidation	<b>¥ 43,171</b>	<b>\$ 352,733</b>

## Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 28. Business Combination

(Business Combination by Acquisition)

a. Outline of the business combination

(1) Name of acquired company and its business description

Name of the acquired company: CastleRock Communities LLC

Business description: Single-family housing business (Single-family housing business and developing and selling residential land business in the southern U.S.)

(2) Major reason for the business combination

Major reason for the business combination is strengthening and expanding single-family housing business in the U.S. market, where strong housing demand is expected.

(3) Date of business combination

September 3, 2021 (September 2, U.S. Central Standard Time)

(4) Legal form of business combination

Acquisition of equity interests

(5) Name of the company after the combination

The acquired company's name remains unchanged

(6) Ratio of equity interests acquired

80.0%

(7) Basis for determining the acquirer

The Company is determined as the acquirer since a subsidiary of the Company acquired equity interests in consideration for cash.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**28. Business Combination (continued)**

(Business Combination by Acquisition) (continued)

- b. Period for which the operating results of the acquired company are included in the consolidated financial statements

The date of fiscal year end of the acquired company is December 31, which is three months prior to that of the Company. As the date of acquisition was September 2, 2021 (U.S. Central Standard Time), the operating results of the acquired company from September 3 to December 31, 2021 were included in the consolidated financial statements for the year ended March 31, 2022.

- c. Acquisition cost of the acquired company and the breakdown thereof by type of consideration

	<i>Millions of Yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2022</u>
Consideration for acquisition - Cash	¥ 44,408	\$ 362,840
Acquisition cost	44,408	362,840

- d. Major acquisition-related costs

Advisory fees and others                      ¥757 million (\$6,185 thousand)

- e. Amount of goodwill recognized, reasons for the goodwill incurred, and the method and period of amortization

- (1) Amount of goodwill recognized

¥24,851 million (\$203,047 thousand)

Amount of goodwill recognized was calculated on a provisional basis because the allocation of acquisition cost was not completed as of the end of March 31, 2022.

- (2) Reasons for the goodwill recognized

Goodwill was recognized in connection with the excess earnings to be generated by the business base of single-family housing business in the U.S. operated by the acquired company.

- (3) Method and period of amortization for goodwill

Goodwill is amortized on a straight-line basis over 20 years.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**28. Business Combination (continued)**

(Business Combination by Acquisition) (continued)

f. Assets acquired and liabilities assumed on the date of business combination were as follows:

	<i>Millions of Yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2022</b>	<b>2022</b>
Current assets	¥ 34,919	\$ 285,309
Fixed assets	30	245
Total	<u>¥ 34,950</u>	<u>\$ 285,562</u>
Current liabilities	¥ 3,783	\$ 30,909
Long-term liabilities	6,460	52,782
Total	<u>¥ 10,243</u>	<u>\$ 83,691</u>

**29. Revenue Recognition**

1. Information on disaggregated revenue arising from contracts with customers is as follows:

	<i>Millions of yen</i>							
	<b>2022</b>							
	Reportable segment							
	Single- family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Total
Ordered contract transactions	¥ 243,017	¥ 353,713	¥ 38,364	¥ 97,294	¥ 354,895	¥ 741,750	¥ 79,922	¥ 1,908,959
Real estate sales transactions	368,871	73,097	251,198	844	121,454	175,839	-	991,306
Other related business transactions	2	71,665	59,279	2,062	44,025	12,644	299,131	488,811
Revenue from contracts with customers	<u>¥ 611,890</u>	<u>¥ 498,477</u>	<u>¥ 348,843</u>	<u>¥ 100,202</u>	<u>¥ 520,376</u>	<u>¥ 930,234</u>	<u>¥ 379,054</u>	<u>¥ 3,389,078</u>
Other revenue	¥ 13,971	¥ 527,936	¥ 24,189	¥ 23,832	¥ 261,309	¥ 189,644	¥ 9,573	¥ 1,050,458
Sales to third parties	625,862	1,026,414	373,032	124,034	781,685	1,119,879	388,627	4,439,536

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**29. Revenue Recognition (continued)**

1. Information on disaggregated revenue arising from contracts with customers is as follows (continued)

	<i>Thousands of U.S. dollars</i>							
	<b>2022</b>							
	Reportable segment							
	Single- family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other (*2)	Total
Ordered contract transactions	<b>\$1,985,595</b>	<b>\$2,890,048</b>	<b>\$ 313,456</b>	<b>\$ 794,950</b>	<b>\$ 2,899,705</b>	<b>\$ 6,060,544</b>	<b>\$ 653,010</b>	<b>\$ 15,597,344</b>
Real estate sales transactions	<b>3,013,898</b>	<b>597,246</b>	<b>2,052,438</b>	<b>6,895</b>	<b>992,352</b>	<b>1,436,710</b>	–	<b>8,099,566</b>
Other related business transactions (*3)	<b>16</b>	<b>585,546</b>	<b>484,345</b>	<b>16,847</b>	<b>359,710</b>	<b>103,309</b>	<b>2,444,080</b>	<b>3,993,880</b>
Revenue from contracts with customers	<b><u>\$4,999,509</u></b>	<b><u>\$4,072,857</u></b>	<b><u>\$2,850,257</u></b>	<b><u>\$ 818,710</u></b>	<b><u>\$4,251,785</u></b>	<b><u>\$7,600,571</u></b>	<b><u>\$3,097,099</u></b>	<b><u>\$27,690,808</u></b>
Other revenue (*4)	<b>\$ 114,151</b>	<b>\$4,313,555</b>	<b>\$ 197,638</b>	<b>\$ 194,721</b>	<b>\$2,135,051</b>	<b>\$1,549,505</b>	<b>\$ 78,217</b>	<b>\$ 8,582,874</b>
Sales to third parties	<b>5,113,669</b>	<b>8,386,420</b>	<b>3,047,896</b>	<b>1,013,432</b>	<b>6,386,837</b>	<b>9,150,085</b>	<b>3,175,316</b>	<b>36,273,682</b>

Notes: (\*1) The presentation of the information on disaggregated revenue has been changed from the presentation used until the third quarter of the year ended March 31, 2022.

Notes: (\*2) “Other” includes the businesses for construction support, health and leisure and others.

Notes: (\*3) “Other related business transactions” includes real estate management transactions, electric power retail business, home center business, logistics service business, and hotel business.

Notes: (\*4) “Other revenue” includes lease income recognized based on “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and revenue from sales of real estate recognized based on “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special-Purpose Companies” (JICPA Accounting Practice Committee Statement No. 15).

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 29. Revenue Recognition (continued)

- Information providing a basis for understanding revenue arising from contracts with customers

The Group operates in the business consisting of ordered housing construction and the construction of commercial and office buildings, and sales of real estate developed by the Group and other related business that are relevant to these businesses. Revenues from these businesses are recorded based on contracts with customers.

- Ordered contract transactions

Description of main transaction of each reportable segment is as follows:

Reportable segment	Description of main transaction
Single-family houses	Ordered contracts of single-family houses
Rental housing	Ordered contracts of rental housing
Condominiums	Large-scale repair work for condominiums
Existing home business	Ordered contracts of expansions and renovations
Commercial facilities	Ordered contracts of stores, commercial complexes, and others
Business and corporate facilities	Ordered contracts of logistics and manufacturing facilities and medical and nursing care facilities.

With respect to ordered contract transactions, the Group concludes construction contracts with customers (general consumers or companies) and has an obligation to perform construction works based on the construction contracts.

The Group determines that the performance obligations are satisfied over a certain period of time and recognizes revenues based on the progress of fulfillment of performance obligations because the value of the property increases and the customer comes to control the property according to the progress of construction works.

The progress is estimated using the input method based on cost (percentage of cost incurred to total construction costs) because costs incurred relate to and are recorded generally in proportion to the progress of fulfillment of performance obligations.

With respect to construction contracts for which the progress cannot be reasonably estimated but the costs incurred in fulfilling the performance obligation are expected to be recovered, revenue is recognized on a cost recovery method until such time when the progress of fulfillment of performance obligation can be reasonably estimated.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 29. Revenue Recognition (continued)

#### 2. Information providing a basis for understanding revenue arising from contracts with customers (continued)

##### (1) Ordered contract transactions (continued)

The consideration for transactions is normally paid in full by the time of transfer of the real estate based on contract terms and therefore no significant financing component are included in receivables arising from contracts with customers. There are no significant variable considerations that could change the amount of the consideration.

##### (2) Real estate sales transactions

Description of main transaction of each reportable segment is as follows:

<u>Reportable segment</u>	<u>Description of main transaction</u>
Single-family houses	Sales of single-family houses
Rental housing	Sales of rental housing
Condominiums	Sales of condominiums
Existing home business	Sales of existing homes resold
Commercial facilities	Sales of stores, commercial complexes and other development properties
Business and corporate facilities	Sales of logistics facilities and other development properties

With respect to real estate transactions, the Group concludes real estate sales contracts with customers (general consumers, companies and investors) and has an obligation to transfer properties developed or purchased by the Group.

Since legal ownership, physical possession, and significant risks and rewards are transferred to the customer at the time of transfer of the properties, performance obligation is fulfilled at the time the properties are transferred, and therefore revenues are recognized at the time of transfer of properties to the customers.

The consideration for transactions is normally paid in full by the time of transfer of the properties and therefore no significant financing components are included in the amount of consideration for transactions. There are no significant variable considerations that could change the amount of the consideration

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 29. Revenue Recognition (continued)

#### 2. Information providing a basis for understanding revenue arising from contracts with customers (continued)

##### (3) “Other” related business transactions

A description of main transactions in “Other” related business transaction is as follows. The consideration for transactions is normally paid in full within one month after the fulfillment of performance obligations and therefore no significant financing components are included. In addition, there are no significant variable considerations that could change the amount of the consideration.

##### ① Real estate management transactions

With respect to real estate management transactions, the Group concludes management service consignment contracts with customers, and has an obligation to provide renovation services and general facility management services (office management services, cleaning services, security services, facility management services and others) for rental housing, condominiums, commercial facilities, and business and corporate facilities. Depending on the nature of the performance obligation related to these services, performance obligations are satisfied at a point of time or over a certain period of time and revenues are recognized.

##### ② Electric power retail business

With respect to real electric power retail business, the Group concludes supply and demand contracts with customers, and has an obligation to supply electric power. For such contracts, the Group recognizes revenue when electricity is supplied to customers. Revenues are calculated based on actual amount of electricity used collected on the meter reading date, and the revenues from the meter reading date to the date of fiscal year end are recorded on an estimation basis based on the amount of electricity used and unit prices.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**29. Revenue Recognition (continued)**

3. Information for understanding the amounts of revenue in the fiscal year ended March 31, 2022 and the fiscal year ending March 31, 2023

(1) Balances of contract assets and contract liabilities

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2022</b>	<b>2022</b>
Receivables arising from contracts with customers (balance at the beginning of the year)	<b>¥ 183,112</b>	<b>\$ 1,496,135</b>
Receivables arising from contracts with customers (balance at the end of the year)	<b>158,357</b>	<b>1,293,872</b>
Contract assets (balance at the beginning of the year)	<b>224,552</b>	<b>1,834,725</b>
Contract assets (balance at the end of the year)	<b>230,436</b>	<b>1,882,800</b>
Contract liabilities (balance at the beginning of the year)	<b>260,977</b>	<b>2,132,339</b>
Contract liabilities (balance at the end of the year)	<b>289,436</b>	<b>2,364,866</b>

Contract assets relate to the rights of the Group in respect of construction contracts to consideration for which revenues are recognized based on the progress of the performance obligation but unbilled as of March 31, 2022.

Contract assets are reclassified as receivables arising from contracts with customers when the rights of the Group to the consideration become unconditional.

Consideration related to construction contracts is billed and received in full by the time the relevant properties are transferred.

Contract liabilities relate to the advances received on construction projects in progress from customers and advances received as deposits from customers on real estate sales contracts. Contract liabilities are reversed when revenues are recognized. The revenue recognized during the fiscal year ended March 31, 2022 that was included in the balance of contract liabilities at the beginning of the fiscal year ended March 31, 2022 was ¥145,056 million (\$1,185,194 thousand).

There were no significant changes in the balances of contract assets and liabilities during the fiscal year ended March 31, 2022 and no significant matters regarding revenues recognized during the fiscal year ended March 31, 2022 for the performance obligations fulfilled in prior fiscal years.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**29. Revenue Recognition (continued)**

3. Information for understanding the amounts of revenue in the fiscal year ended March 31, 2022 and the fiscal year ending March 31, 2023 (continued)

(1) Balances of receivables arising from contracts with customers, contract assets and contract liabilities (continued)

Receivables arising from contracts with customers and contract assets in Trade notes and accounts receivable are as follows.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2022</u>
Notes receivable	¥ 3,199	\$ 26,137
Electronically recorded monetary claims	5,345	43,671
Accounts receivable	149,812	1,224,054
Contract assets	230,436	1,882,800
Total	<u>¥ 388,794</u>	<u>\$ 3,176,681</u>

Contract liabilities in advances received and advances received on construction projects in progress are as follows.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2022</u>
Advances received	¥ 151,459	\$ 1,237,511
Advances received on construction projects in progress	137,977	1,127,355
Total	<u>¥ 289,436</u>	<u>\$ 2,364,866</u>

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**29. Revenue Recognition (continued)**

3. Information for understanding the amounts of revenue in the fiscal year ended March 31, 2022 and the fiscal year ending March 31, 2023 (continued)

(2) Transaction price allocated to the remaining performance obligations

The total transaction prices allocated to the remaining performance obligation are as follows. These performance obligations are mainly related to ordered contract transactions and real estate sales transactions.

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	<b>2022</b>	<b>2022</b>
Single-family houses	¥ 270,808	\$ 2,212,664
Rental housing	171,044	1,397,532
Condominiums	147,672	1,206,569
Existing home business	16,827	137,486
Commercial facilities	163,533	1,336,163
Business and corporate facilities	915,140	7,477,244
Other	32,414	264,841
<b>Total</b>	<b>¥ 1,717,441</b>	<b>\$ 14,032,527</b>

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 29. Revenue Recognition (continued)

3. Information for understanding the amounts of revenue in the fiscal year ended March 31, 2022 and the fiscal year ending March 31, 2023 (continued)

- (2) Transaction price allocated to the remaining performance obligations (continued)

With respect to Single-family houses, Rental housing, and Existing home business, revenues are expected to be recognized within one year after the end of the year ended March 31, 2022.

With respect to Condominiums and Commercial facilities, approximately 80% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2022, and the remaining approximately 20% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2022.

With respect to Business and corporate facilities, approximately 60% of revenues are expected to be recognized within one year after the end of the year ended March 31, 2022, approximately 30% of revenues are expected to be recognized in more than one year and within three years after the end of the year ended March 31, 2022, and remaining approximately 10% of revenues are expected to be recognized thereafter.

With respect to Other, approximately 70% of revenues are expected to be recognized within one year after the end of fiscal year ended March 31, 2022, and remaining approximately 30% of revenues are expected to be recognized in more than one year and within two years after the end of the year ended March 31, 2022.

With respect to notes to transaction prices allocated to remaining performance obligations for other related business, the practical expedient is applied and contracts with an initially expected contract term of one year or less are not included in the notes.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 30. Segment Information

#### 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and evaluated regularly by the Company's management in order to decide how resources are allocated among the Group. The Group operates in diversified and comprehensive business areas such as housing construction as well as the construction of commercial and office buildings. The Group has divided its operations into seven business domains and conducts its business activities by developing comprehensive business plans for each business domain in order to complement core competencies with timely decision-making, professionalism, value chain integration, leveraging of the customer base and others. The Group's reportable segments consist of the following six core businesses as reportable segments; Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business, and Business and Corporate Facilities Business. The Single-Family Houses Business consists of orders of single-family houses and sales of packages of new houses with land. The Rental Housing Business consists of the Group's operations in rental housing development, construction, management, operation and real estate agency services. The Condominiums Business consists of development, sale and management of condominiums. The Existing Home Business consists of renovation and real estate agency services. The Commercial Facilities Business consists of development, construction, management and operation of commercial facilities. The Business and Corporate Facilities Business consists of development and construction of logistics, manufacturing facilities and medical and nursing care facilities, and building, management and operation of temporary facilities.

#### 2. Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 1 "Summary of Significant Accounting Policies".

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows:

	<i>Millions of yen</i>						
	<b>2022</b>						
	Reportable segments						
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Sub-total
Sales:							
Sales to third parties	¥ 625,862	¥ 1,026,414	¥ 373,032	¥ 124,034	¥ 781,685	¥ 1,119,879	¥ 4,050,908
Intersegment sales and transfers	1,027	2,780	6,832	2,920	15,236	19,760	48,558
Total	<u>¥ 626,889</u>	<u>¥ 1,029,195</u>	<u>¥ 379,865</u>	<u>¥ 126,955</u>	<u>¥ 796,922</u>	<u>¥ 1,139,640</u>	<u>¥ 4,099,467</u>
Segment profit	¥ 29,708	¥ 94,337	¥ 9,762	¥ 8,877	¥ 114,825	¥ 131,769	¥ 389,281
Segment assets	618,753	444,652	774,525	30,424	1,164,849	1,746,795	4,780,001
Other:							
Depreciation	4,934	10,606	2,793	218	33,715	32,118	84,386
Increase in property, plant and equipment and intangible assets	5,512	29,196	12,048	223	114,272	232,148	393,402

	<i>Millions of yen</i>			
	<b>2022</b>			
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	¥ 388,627	¥ 4,439,536	¥ –	¥ 4,439,536
Intersegment sales and transfers	113,203	161,762	(161,762)	–
Total	<u>¥ 501,831</u>	<u>¥ 4,601,298</u>	<u>¥ (161,762)</u>	<u>¥ 4,439,536</u>
Segment profit	¥ 2,542	¥ 391,824	¥ (8,567)	¥ 383,256
Segment assets	657,811	5,437,813	83,849	5,521,662
Other:				
Depreciation	14,322	98,709	1,619	100,328
Increase in property, plant and equipment and intangible assets	26,833	420,235	5,572	425,807

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

30. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

	<i>Millions of yen</i>						
	2021						
	Reportable segments						Sub-total
Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities		
Sales:							
Sales to third parties	¥ 513,665	¥ 980,718	¥ 332,497	¥ 121,557	¥ 796,470	¥ 979,889	¥ 3,724,799
Intersegment sales and transfers	2,444	2,067	7,293	3,160	11,924	10,095	36,986
Total	<u>¥ 516,109</u>	<u>¥ 982,785</u>	<u>¥ 339,790</u>	<u>¥ 124,718</u>	<u>¥ 808,395</u>	<u>¥ 989,984</u>	<u>¥ 3,761,785</u>
Segment profit	¥ 21,818	¥ 90,832	¥ 5,397	¥ 10,438	¥ 122,898	¥ 115,910	¥ 367,295
Segment assets	418,194	344,713	695,615	29,980	1,005,569	1,689,501	4,183,574
Other:							
Depreciation	4,576	9,158	2,575	216	31,936	14,393	62,856
Increase in property, plant and equipment and intangible assets	4,895	30,258	12,852	229	56,871	234,821	339,929

	<i>Millions of yen</i>			
	2021			
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	¥ 401,970	¥ 4,126,769	¥ –	¥ 4,126,769
Intersegment sales and transfers	105,389	142,376	(142,376)	–
Total	<u>¥ 507,359</u>	<u>¥ 4,269,145</u>	<u>¥ (142,376)</u>	<u>¥ 4,126,769</u>
Segment profit	¥ 10,771	¥ 378,067	¥ (20,946)	¥ 357,121
Segment assets	633,339	4,816,913	236,138	5,053,052
Other:				
Depreciation	14,551	77,408	995	78,403
Increase in property, plant and equipment and intangible assets	29,957	369,887	3,016	372,904

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**30. Segment Information (continued)**

3. Information about sales, profit, assets and other items is as follows: (continued)

	<i>Thousands of U.S. dollars</i>						
	<b>2022</b>						
	Reportable segments						
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Sub-total
Sales:							
Sales to third parties	\$ 5,113,669	\$ 8,386,420	\$ 3,047,896	\$ 1,013,432	\$ 6,386,837	\$ 9,150,085	\$33,098,357
Intersegment sales and transfers	8,391	22,714	55,821	23,858	124,487	161,451	396,748
Total	<u>\$ 5,122,060</u>	<u>\$ 8,409,142</u>	<u>\$ 3,103,725</u>	<u>\$ 1,037,298</u>	<u>\$ 6,511,332</u>	<u>\$ 9,311,545</u>	<u>\$ 33,495,113</u>
Segment profit	\$ 242,732	\$ 770,790	\$ 79,761	\$ 72,530	\$ 938,189	\$ 1,076,632	\$ 3,180,660
Segment assets	5,055,584	3,633,074	6,328,335	248,582	9,517,517	14,272,367	39,055,486
Other:							
Depreciation	40,313	86,657	22,820	1,781	275,471	262,423	689,484
Increase in property, plant and equipment and intangible assets	45,036	238,548	98,439	1,822	933,671	1,896,788	3,214,331

	<i>Thousands of U.S. dollars</i>			
	<b>2022</b>			
	Other	Total	Adjustments and eliminations	Consolidated
Sales:				
Sales to third parties	\$ 3,175,316	\$36,273,682	\$ –	\$ 36,273,682
Intersegment sales and transfers	924,936	1,321,692	(1,321,692)	–
Total	<u>\$ 4,100,261</u>	<u>\$ 37,595,375</u>	<u>\$ (1,321,692)</u>	<u>\$ 36,273,682</u>
Segment profit	\$ 20,769	\$ 3,201,438	\$ (69,997)	\$ 3,131,432
Segment assets	5,374,711	44,430,206	685,096	45,115,303
Other:				
Depreciation	117,019	806,511	13,228	819,740
Increase in property, plant and equipment and intangible assets	219,241	3,433,573	45,526	3,479,099

## Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 30. Segment Information (continued)

3. Information about sales, profit, assets and other items is as follows: (continued)

Notes: 1) “Other” includes construction support, health and leisure and others.

2) Adjustments and eliminations for segment profit of ¥8,567 million (\$69,997 thousand) and ¥20,946 million include intersegment eliminations of ¥676 million (\$5,523 thousand) and ¥1,440 million, the amortization of goodwill of ¥699 million (\$5,711 thousand) and ¥803 million, and the corporate expenses not allocated to each business segment of ¥9,943 million (\$81,240 thousand) and ¥23,189 million for the years ended March 31, 2022 and 2021, respectively. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to any reportable business segments.

Adjustments and eliminations for segment assets of ¥83,849 million (\$685,096 thousand) and ¥236,138 million include intersegment eliminations of ¥233,553 million (\$1,908,268 thousand) and ¥176,757 million, and the corporate assets of ¥317,402 million (\$2,593,365 thousand) and ¥412,896 million for the years ended March 31, 2022 and 2021, respectively. Corporate assets primarily consist of the Group’s surplus funds (cash and bank deposits), the Group’s long-term investment funds (investment securities) and the assets associated with administration headquarters of the Company.

Adjustments and eliminations for depreciation of ¥1,619 million (\$13,228 thousand) and ¥995 million include intersegment eliminations of ¥609 million (\$4,975 thousand) and ¥652 million, and the depreciation attributable to corporate assets of ¥2,228 million (\$18,204 thousand) and ¥1,647 million for the years ended March 31, 2022 and 2021, respectively.

Adjustments and eliminations for increase in property, plant and equipment and other assets of ¥5,572 million (\$45,526 thousand) and ¥3,016 million include intersegment eliminations of ¥565 million (\$4,616 thousand) and ¥4,267 million, and the headquarters’ capital investments in properties and equipment of ¥6,137 million (\$50,142 thousand) and ¥7,283 million for the years ended March 31, 2022 and 2021, respectively.

3) Consolidated amounts of segment profit as mentioned above correspond to the amounts of operating income in the consolidated statement of income.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**30. Segment Information (continued)**

3. Information about sales, profit, assets and other items is as follows: (continued)

Impairment losses

<i>Millions of yen</i>									
<b>2022</b>									
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Adjustments and eliminations	Consolidated
Impairment losses	¥ 312	¥ 461	¥ 5,331	¥ –	¥ 2,774	¥ 1,110	¥ 14,119	¥ 38	¥ 24,147
<i>Millions of yen</i>									
<b>2021</b>									
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Adjustments and eliminations	Consolidated
Impairment losses	¥ 3,941	¥ 3,915	¥ 424	¥ 369	¥ 3,594	¥ 4,001	¥ 4,607	¥ 211	¥ 21,065
<i>Thousands of U.S. dollars</i>									
<b>2022</b>									
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Adjustments and eliminations	Consolidated
Impairment losses	\$ 2,549	\$ 3,766	\$ 43,557	\$ –	\$ 22,665	\$ 9,069	\$ 115,360	\$ 310	\$ 197,295

Note: 1) Adjustments and eliminations for impairment loss of ¥38 million (\$310 thousand) and ¥211 million represent the impairment loss for corporate assets that are not allocated to each business segment for the years ended March 31, 2022 and 2021, respectively.

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**30. Segment Information (continued)**

3. Information about sales, profit, assets and other items is as follows: (continued)

Amortization of goodwill

*Millions of yen*

<b>2022</b>									
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Adjustments and eliminations	Consolidated
Amortization	¥ 1,042	¥ 64	¥ 1,013	¥ (8)	¥ 421	¥ 2,679	¥ 360	¥ –	¥ 5,573
Balance as of March 31, 2022	36,534	980	9,166	(45)	1,832	35,210	10,216	–	93,895

*Millions of yen*

<b>2021</b>									
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Adjustments and eliminations	Consolidated
Amortization	¥ 727	¥ 61	¥ 1,791	¥ (8)	¥ 422	¥ 2,274	¥ 257	¥ –	¥ 5,526
Balance as of March 31, 2021	9,284	987	10,180	(53)	2,254	40,919	10,473	–	74,046

*Thousands of U.S. dollars*

<b>2022</b>									
	Single-family houses	Rental housing	Condominiums	Existing home business	Commercial facilities	Business and corporate facilities	Other	Adjustments and eliminations	Consolidated
Amortization	\$ 8,513	\$ 522	\$ 8,276	\$ (65)	\$ 3,439	\$ 21,889	\$ 2,941	\$ –	\$ 45,534
Balance as of March 31, 2022	298,504	8,007	74,891	(367)	14,968	287,686	83,470	–	767,178

Note: 1) Amortization in Single-family houses at the end of the year ended March 31, 2022 includes the amount of provisionally calculated goodwill incurred in the business combination through acquisition in the year ended March 31, 2022, for which the allocation of acquisition costs was not completed.

Gain on negative goodwill was nil for the years ended March 31, 2022 and 2021.

4. Information by product and service

This information is omitted because the same information is disclosed in segment information.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 30. Segment Information (continued)

#### 5. Information by geographic segment

(Sales)

This information is omitted because sales to external customers in Japan exceeds 90% of consolidated sales.

(Property, plant and equipment)

This information is omitted because property, plant and equipment in Japan exceeds 90% of property, plant and equipment of the consolidated balance sheet.

#### 6. Information by major customer

This information is omitted because there is no specific external customer that accounts for 10% or more of consolidated sales.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 31. Related Party Transactions

The Group has related party transactions with unconsolidated subsidiary and directors and their relatives of the Company. Principal transactions and balances between the Group and its related parties as of and for the years ended March 31, 2022 and 2021 were as follows:

*Millions of yen*

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transactions	Transaction amount	Account	Balance outstanding as of March 31, 2022
Keiichi Yoshii	-	-	Representative Director of the Company	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	¥ 45	-	¥ -
Takeshi Kosokabe	-	-	Representative Director of the Company	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	¥ 60	-	¥ -
Hirotsugu Otomo	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	¥ 30	-	¥ -
Kazuhito Dekura	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	¥ 30	-	¥ -
Keisuke Shimonishi	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	¥ 30	-	¥ -
Yoshinori Ariyoshi	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	¥ 30	-	¥ -

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Related Party Transactions (continued)

Millions of yen

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transactions	Transaction amount	Account	Balance outstanding as of March 31, 2021
UNIFLOW CO., LTD (Note 1)	Shinagawa Ward, Tokyo	¥ 88	Manufacturing and sales of housing fittings	11.9% owned by the Company	Vendor of housing fittings	Purchase of housing fittings	¥ 12	Trade notes and accounts payable	¥ 0
					Providing supports for system development, designing housing fittings and vehicle leases	Commission income for providing supports for system development and designing housing fittings Lease income	¥ 95	Trade notes and accounts receivable Other current assets Advances received	¥ 1 ¥ 1 ¥ 0
Keiichi Yoshii and his relatives	–	–	Representative Director of the Company	0.0% owned by the related party	Land sales and house construction	Land sales and house construction (Note 2)	¥ 81	Other current liabilities	¥ 15
Takeshi Kosokabe	–	–	Representative Director of the Company	0.0% owned by the related party	Sales of condominium	Sales of condominium (Note 2)	¥ 160	–	¥ –
					Sales of furniture and providing interior design coordination	Sales of furniture and providing interior design coordination	¥ 12	–	¥ –

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Related Party Transactions (continued)

Thousands of U.S. dollars

Name	Location	Amount of capital	Nature of the business	Ownership ratio of voting shares	Relationship with the related party	Nature of transactions	Transaction amount	Account	Balance outstanding as of March 31, 2022
Keiichi Yoshii	-	-	Representative Director of the Company	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	\$ 367	-	\$ -
Takeshi Kosokabe	-	-	Representative Director of the Company	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	\$ 490	-	\$ -
Hirotsugu Otomo	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	\$ 245	-	\$ -
Kazuhito Dekura	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	\$ 245	-	\$ -
Keisuke Shimonishi	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	\$ 245	-	\$ -
Yoshinori Ariyoshi	-	-	Director and Managing Executive Officer	0.0% owned by the related party	Exercise of stock acquisition rights	Exercise of stock acquisition rights (Note 3)	\$ 245	-	\$ -

Note: 1. More than 50% of the shares are owned by Tamio Ishibashi, Representative Director and Vice President of the Company and his relatives.

As approved at the 82nd general shareholders meeting held on June 29, 2021, Tamio Ishibashi retired from the position of Representative Director Vice President.

2. The corresponding construction or sales has been completed and the ownership has been transferred to the related party in the year ended March 31, 2021.
3. The exercise of stock acquisition rights (2016 Stock Option) in the year ended March 31, 2022 is stated. The transaction amounts are calculated by multiplying the exercised number of share by the exercise price.
4. Business transactions with related parties except exercise of the acquisition rights are carried out on the same method as for third party transactions.

# Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 32. Subsequent Event

#### Dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2022, was approved at a shareholders' meeting of the Company held on June 29, 2022:

<u>Resolution</u>	<u>Types of shares</u>	<u>Total dividends (Millions of yen)</u>	<u>Total dividends (Thousands of U.S. dollars)</u>	<u>Dividends per share (yen)</u>	<u>Dividends per share (U.S. dollars)</u>	<u>Record date</u>	<u>Effective date</u>
Shareholders' meeting held on June 29, 2022	Common stock	<b>¥ 46,556</b>	<b>\$ 380,390</b>	<b>¥ 71</b>	<b>\$ 0.58</b>	March 31, 2022	June 30, 2022